
Interview

Masaki Nakajima discusses the GIF's potential



The following interview with Masaki Nakajima of Mitsubishi Research Institute was conducted in Tokyo on Jan. 21 by Daniel Sneider, EIR's Asia Editor.

Sneider: I'd like to first ask you where, in your mind, the idea for the Global Infrastructure Fund (GIF) comes from, and what is the general concept behind this development program?

Nakajima: This idea came about five or six years ago when the world was entering the stage of stagflation. While we were studying the stagflation problem, we realized that there was no good economic theory to explain it. I reached the conclusion that it is the metamorphosis of the crisis in the 19th century. That means that in the 19th century every decade or two decades there was a big crisis, a world crisis. Keynes solved the problem in two ways: first, the emancipation from the gold standard, that is, a managed currency system. Another problem in his mind was effective demand. Since that time the world-wide crisis faded. Instead, first comes inflation and then recession from too little effective demand.

In the decades from the 1950s to the 1970s, the world was favored by a high growth rate. Mr. Daniel Bell told us that this was the highest growth-rate of mankind in its history. And what was the main reason? There are two points—the first point is reconstruction from the war (World War II). The next point is the new innovations in technology, which were mainly produced by the war effort—not only radar, computers, and polyethylenes, but antibiotics. So much new technology came into being simultaneously. And the world needed new plant construction to meet such needs. That's the main reason we could have the opportunity for high growth all over the world. . . .

Since the 1970s another difficult problem has emerged, the OPEC countries which have absorbed money from the world: in 1980, in one year for example, more than \$100 billion. It decreased a little last year, but still it was \$70 billion. Of course it caused great damage to the Third World.

In addition, with high growth rates came a new

national strategy for the industrial world, that means the so-called welfare state; they could increase the welfare every year. But after the 1970s the productivity of each country had already slowed down so that they should control welfare expenditure increase. But owing to democracy, such need for continuation of the higher welfare, pensions, unemployment money, increased. That's the main reason for inflation.

Another reason for stagflation is the lack of new effective demand owing to the shortage of technological innovation.

Sneider: You're saying that the lack of effective demand is a consequence of the drop in technological innovation?

Nakajima: Yes, that's right. We need to have three aims. The first is the effective utilization of the overcapacity of the industrial countries and their technology; second, effective use of the OPEC monies; and third, the economic elevation of the Third World. Of course, with the excess capacity of the industrial world there is one way of using it, for armaments. In your country large effective demand comes from the armaments industry, the so-called military-industrial complex.

We need something quite different instead. That is what we call our idea for big peaceful construction work for the world. Compared to the expansion of armaments, infrastructure expenditure has a much bigger effect. It's a very important point.

Next, regarding the OPEC countries, I have met with several influential persons there and in their mind, within 20 to 30 years, most of their countries will again become a desert. So they want to have something more permanent, a strategy for development, instead of only getting money and depositing it into the international banks. Though their money goes to the Third World sometimes, usually it becomes so-called debt recycling.

We must think *with them*, because of course oil is very important and valuable for the world. But it should not be used as a fuel—it should be used as a petrochemical resource. They are very eager for that approach, so that if some new infrastructure is organized they want to be one member of such an organization. We call this a new

global system.

Regarding the third aim, the elevation of the Third World, so-called technology transfer is a very big problem. How to elevate their technology? It's not so easy for them. Of course some of the good students go to the industrial world and study in their universities or their institutes, but it doesn't last long. But our projects, the big super-projects: each project is about more than \$10 billion in cost, and in order to complete them it will take more than 15 to 20 years—during such a construction period on-the-job training will be actualized. That is one of the most important points in my mind. And by that means, what we call the related sub-infrastructure—that means transportation, communication, health-medical, educational problems—will be solved.

That is the main point in my mind. Now, why do we call it global? What is the difference between global and international? I think you know already, but Mr. Brzezinski once said a good definition for the word "global": he said globalism is "post-internationalism." International means that always the nation comes first, has priority. Globalism is also international but the highest priority is the world, the earth itself. The welfare of "spaceship earth" should be the first priority. Of course there are many kinds [of "globalism"].

Sneider: You know this concept of "globalism" is used by many people in many different ways. For example, I would say that the anti-growth circles are very fond of talking about globalism, and they use it as something anti-national, in the sense that they want to restrict growth and they view the nation-state as an obstacle to that idea. I don't think you are saying that, I think you are saying something different. . . .

Nakajima: Yes, it is quite different. I want to use it in a parallel way [i.e., nation and world]. For instance, the U.N. itself, it has many weak points, such as the veto, so that as to political welfare it is very weak, some people say it is a cripple. But as to social and cultural problems, they are still active in the world and very influential.

Global welfare we should divide into three parts: political global welfare; social and cultural welfare; and economic welfare. Our point is mainly aimed at global economic welfare. We want to have quite a different idea than the U.N. because the U.N. is mainly a second League of Nations; it is still closely connected with nationalism in the 19th-century sense.

For instance, some problems should be solved by the way of the U.N. system but some other problems, especially economic problems, should be solved by way of the global system. As you said, the Club of Rome is global thinking, that is mainly from the economic point of view, on economic resources our idea is actually different, including social and cultural aspects but not political problems. The political global welfare—the United

States is very eager about that problem but from my point of view, please forgive me, it is too concerned about containment of communism. Communism is gradually degrading itself, so we don't have to worry about it—they are becoming weaker and weaker every decade. All over the world, even in Japan, the power of communism is becoming very weak. Not only in your country but even in Europe such a tendency is coming. The so-called convergence theory of communism and capitalism, some scholars say, will occur. In Japan we are trying to have such a new idea.

Sneider: That means that you think it is possible to have East-West cooperation for the kind of idea [the GIF] that you are talking about?

Nakajima: Yes. We need something, we need the conviction through eyewitness of what is peace construction. With only the theory we cannot have the conviction for peace, but if we can, for instance, have a new Panama Canal, they will understand what is peace construction instead of destroying the world. We need new, effective infrastructure and that means that as eyewitnesses, we can understand what is peace.

A few weeks ago this idea came to my mind—for instance the Great Wall of China, what do you think of it? I think, in my mind, about it in two ways. The first Chinese emperor, after the age of five centuries of civil war, finally achieved the unification of China. They were thinking that the whole world and China was the same thing. One point is that they had the unemployment problem of the warriors. Another point is that he wanted to have a new defense-only strategy in order to defend the northern part of China. We need something—for instance, anyone who comes to China they are eager to see first the Great Wall of China, one of the Seven Wonders of the World. It is a somewhat different idea but the point is that mankind needs something that they can see, through their eyes, what is peace.

Of course the economic effect should be big, counting by the economic metrical way of thinking, but we need some expression of what is peaceful construction.

Sneider: In my experience in going to developing countries, some people are always saying that these big projects, like the Aswan Dam or in India, the Bhakra-Nangal Dam, are wasteful. I don't think so, because first of all, these projects have a major economic effect, but also they act as a symbol, a psychological symbol, for the nation of the idea of development. I remember I went to visit the Bhakra-Nangal Dam in India, which was the big project of the 1950s, and I was told that 2,000 engineers were trained on that project. It's a good example of what you were talking about earlier. More important, it became a symbol of the idea of development for India.

Nakajima: Thank you very much. That means you un-

derstand quite well what I am saying. Of course there is much debate on our proposal.

Sneider: Could you summarize quite briefly the major projects, that is, concretely what kind of infrastructure projects are you talking about?

Nakajima: [Refers to list of projects in written proposal] I think you have seen this previously, but we had only eight before and we have added four new projects because some people, for instance, Europeans, have asked me "What is in Europe?" I added the Gibraltar Straits bridge-tunnel, and also South America wanted to be taken into account in our thinking, so that we added the construction of hydro-electric plant systems in South America.

Sneider: A number of these projects have to do with water control. . . .

Nakajima: For agriculture and for transportation and for saving energy and also new alternative energy sources, for instance, power plants through oceanic power generation using sea currents. Have you heard of OTEC—Ocean Thermal Energy System—which they are now planning in the Hawaiian Islands? It's very useful, especially in the Third World area where there are no typhoons at all; you need equatorial conditions, such as exist in the Third World.

Sneider: I'd like to discuss the financial aspect.

Nakajima: This problem always come up. "It must be very difficult," they say.

Sneider: Well, I don't think it's so difficult. You mentioned when you were talking earlier that much of the lending to the developing sector is going to the recycling of debt. Now, as I understand it, your idea is to create a large capital fund through contributions from OPEC and the advanced countries, and that fund would be utilized to carry out these large-scale capital construction projects. And I understand that one of the ideas is to create a pool of money that is separate from the international lending structure and particularly from the IMF and the World Bank. . . .

Nakajima: That's right.

Sneider: The criticism has been made, including by my publication, that the policies of the IMF/World Bank have not in fact contributed to development, that the IMF is largely concerned with debt collection, not with development, and the World Bank is functioning in the same way. Is part of your idea based upon an understanding of the failures of the IMF/World Bank system?

Nakajima: Our idea is, first of all, quite different from the existing monetary system, that is, that aid is money-oriented but ours is project-oriented. Through money

aid, some people have said, only 40 percent of the money is used for the final aim. By project aid we can control how the money is used for the project itself. It's easier to control and supervise. That's quite a different approach.

Of course the IMF and the World Bank are also useful. The World Bank made a big contribution to the recovery of Japan [after the war], for example in big projects like the Japan express railway and irrigation system—nearly \$1 billion was given by the World Bank, 30 years ago. But our idea is mainly aimed at the project itself.

We should have some new organization, a central world institution instead of the IMF. . . . Another point is that only 3 percent of total world arms expenditure, now about \$500 billion a year, would be used for this purpose [the GIF]. For me it's a kind of pump-priming for world economic recovery.

Sneider: What is the total capital fund that you are looking for?

Nakajima: About \$25 billion a year, for 20 years—that means in two decades, \$500 billion. In my mind, first the United States, West Germany, and Japan contribute \$5 billion, OPEC countries also \$5 billion, and other advanced countries, \$3 billion. And when we are using the money, two systems, grants and loans, will be taken into account. For instance, such a project as a canal [e.g., a second Panama canal] is quite a profitable proposition, it can pay the interest on the investment.

For some difficult problems such as desert problems, like the sub-Saharan area, mainly the grant system should be used. Anyhow we use \$13 billion and \$10 billion added by loans through some existing banks, international or private banks also.

This money on an annual basis, plus the multiplier effect, will solve the world recession problem, because effective demand will be created.

Sneider: Many developing countries have criticized the conditionalities policy of the IMF, because in fact the function of the IMF is not to encourage growth but to force countries to carry out austerity. A similar phenomenon is being created as a result of the high interest-rate policy of the U.S. Federal Reserve under Mr. Volcker. That has also been criticized by people in Japan and Germany because of course it is affecting the international lending rates as well as the value of the dollar and world trade. The common policy of the IMF, World Bank, and the Federal Reserve, as far as we can see, is to force, through austerity and conditionalities policies, a low-growth, negative-growth regime on the world.

Nakajima: It comes because those people are mainly bankers. Especially Mr. Clausen also. . . . Do you know we had a special symposium on the problem by the *Yomiuri Shimbun*?

Sneider: Yes, I understood that you had a little “exchange” with Mr. Clausen.

Nakajima: Yes, of course. I feared a big refutation from him, but he gave us a very warm and kind appreciation of our idea. But anyhow he sticks, in the World Bank, to a very “sound banking system” in his mind.

Sneider: So this is the problem of the banker versus the orientation towards production?

Nakajima: Yes, that’s right. But for 30 years I was a banker.

Sneider: I think Japanese bankers are a little bit different from some other bankers, because the banking system here was set up in a way that was integrated with the necessities of expanding industrial production.

Nakajima: [laughs] That’s right. That means my idea comes from the experience in Japan.

Sneider: I would like to ask you in general—this is a very ambitious idea and people in politics, and banking, and these circles are used to being so-called “practical men.” Their natural response to such an idea would be that it’s “not practical.” During the last four or five years that you have been talking about this idea, what kind of response have you gotten from around the world?

Nakajima: That’s why this “Progress Report” has been published. When I announced this idea in Japan, one of the very noted economists, a professor of Tokyo University, asked me to explain our idea to a small group of highly rated scholars. I was invited to his house, and when I spoke to them, they understood what I meant. “But Mr. Nakajima,” he told me, “in Japan your idea is not easily understood by Japanese. Because first of all the Japanese are very internal-minded people, so that it will be very difficult for them to understand a global way of thinking. So, Mr. Nakajima,” he said, “you must announce it for the world and we must import such an idea from the world.”

Sneider: You mean if it comes from the outside it will be more accepted?

Nakajima: Yes. For instance, Dr. Esaki, the Nobel Prize winner, when he first announced his new idea for the diode in Japan, there was no reaction, but when he made a speech at an international conference in Europe somewhere, it got a big reputation in international circles. Since that time, the problem comes again in Japan; Mr. Ebusaka, the chairman of Sony Corporation, told me it’s the same situation, so first of all I must make an announcement for the world, a speech for people at large. I went to the convention of the Moral Rearmament Movement (MRA) in Switzerland, where there many kinds of people, from developing and developed countries all over the world. It was an opportunity—I talked and I didn’t

expect much, but after I made a speech there was a big reaction. . . . For instance, Mr. McKenzie, the former British representative to the United Nations, and who is one of the very important people of the MRA movement. Whenever I meet him since, now and then, he says, “How is the progress of your idea?” Recently he told it to Mr. Asquith, the former Premier of Britain—he was really pleased with our idea. He said it should be taken into the Brandt Commission.

When I published that small pamphlet [on the GIF], Dr. [David] Abshire [director of Georgetown University’s Center for Strategic and International Studies] came to our office and he talked for more than three or four hours. It seems he appreciated my idea, and after several months he asked me to come to Georgetown University and make a speech at CSIS. About 50 people attended; one of the two points made was, “Your idea will be very favorable for West Germany and Japan,” first [laughs], and the second controversy was that disarmament and development should be quite different ideas, not taken into one sphere. This point was made by people from the United Nations section of your State Department. Three people came from the State Department; they had a quarrel [amongst themselves], and I was only listening to their discussion.

For instance, Mr. Norman McCrea, one of the very famous editors of the London *Economist*, wrote about our idea in his magazine. But in the last part of it he said it will be very helpful only to special enterprises, because, as you know, Mitsubishi is a very big company, so it would be very good for the Mitsubishi group. So I wrote to him that I have never discussed this idea within the Mitsubishi group. Of course some of them are my very good supporters, but I have never discussed this as a Mitsubishi problem. This should not be taken as only the thinktank’s idea—it’s quite different, there is no special relationship with the Mitsubishi group. One week later he wrote an answer to me that it is really a “mutual misunderstanding.”

Also, I was invited to the Special Committee for Foreign Assistance Problems in the Bundestag [lower house of the West German parliament], and I made a speech there. Most of the people who attended told me that our idea is a very concrete idea of what should be done, not just theoretically, but concretely. And I was invited last spring to Oslo. They had a special meeting of Northern Europeans on massive technology transfer. They made a proposal to the U.N. Sweden, for instance, gives ODA [overseas development aid] equal to one percent of its GNP—the United States’ and Japan’s ODA is only 0.3 percent—so they are very eager to solve the problem of massive technology transfer [to the developing countries]. Many people came from the Brandt Commission, UNIDO [United Nations Industrial Development Organization], and even [Chancellor Bruno]

Kreisky's people from Austria. But our idea was taken as the most concrete.

Sneider: I have a certain understanding of the Brandt Commission and that circle of people which perhaps is different from yours. There is an idea which has been current from a number of places like Sussex University; the Brandt Commission has pushed this idea; the World Bank has pushed this idea—the so-called idea of appropriate technology. Many people in the Third World—and I agree with this view—think that appropriate technology is a fraud, that appropriate technology means no real transfer of technology to the Third World. They are telling the Third World that “you don't need steel industries, you don't need high technology, you just need a rubber wheel on your bullock cart, that's appropriate for you.”

This idea is part of a broader conception which the Club of Rome and other institutions have been pushing, which says that there are limits to growth; that the Third World cannot grow to the level of the advanced sector; that the world is like a permanent pie and we can only decide how to divide it up in different ways, but it's impossible to keep it growing; that resources are limited; that there are too many people, and so on.

This idea we believe to be antithetical to the basic conception of man's ability to constantly innovate new technologies which can transform the conditions of life, creating new resources. I'm wondering, do you agree with this appropriate-technology idea of the Club of Rome, or do you have a different conception?

Nakajima: I should like to explain. Japan, only one century ago, was just the same as the Third World now. Only one century—it's not a long time, only a short period. Within one century's experience—of course we were helped by the industrial countries, especially technology imports from a lot of countries, from Europe, and from the United States, especially after World War II. From *our* experience, from the Japanese experience, we want to ask the Third World to agree with this way of thinking.

Sneider: I think Japan is a model for the development of Third World countries, not just that it is possible to make such a transformation, but the way that it was done in Japan. That is, at the beginning of the Meiji period Japan had a policy of bringing in the most *advanced* technology that they could find and training and educating the population to handle new technology. They had a policy, based on the American System of Alexander Hamilton, Mathew and Henry Carey, and Friedrich List, of protecting and developing industry, and a credit system for this purpose.

This idea of Japan as a model—is it the foundation of your thinking for the GIF?

Nakajima: Now Mr. Doko [former chairman of Keidanren, the business federation] is a big supporter of our idea. I think you know from the *Yomiuri* newspaper on Jan. 1, that Mr. Doko has started the GIF study group, with many people such as Mr. Okita [former Foreign Minister] and many people you know—like Mr. Sasaki, former President of the Bank of Japan. Many people unanimously wanted to elevate this idea, but slowly, not in a hurry because we need the consensus of the world at large.

Sneider: I understand that this now also has the support of the Prime Minister?

Nakajima: Now some people are asking the Prime Minister, but he has been very reserved. Mr. Fukuda, former Premier, was very eager, and he is still a very big supporter of our idea. He spoke to Mr. Carter, and Carter showed a big interest in it, and Mr. Carter asked Mr. Fukuda, “Is there really such a Japanese [promoting this policy]?”

It needs some period of time for the world to understand, because when the World Bank/IMF system was made it was the result of World War II. But we don't have such an instantaneous big shock.

Sneider: We may get such a shock very soon, but I'm not sure the world will be left afterwards.

Nakajima: Recently the Japanese are showing interest in our way of thinking.

Sneider: This study group on the GIF by Mr. Doko, is this an unofficial body?

Nakajima: Unofficial.

Sneider: I had understood that the Japanese government had given some support to it.

Nakajima: Well, as you know, the Japanese government is now concerned with the so-called administrative reform problem and very eager to cut expenditures. In Japan we cannot cut defense spending because we are only spending one percent of GNP [for defense]. But we have to increase our spending on foreign assistance, and I hope that Prime Minister Suzuki will understand. For instance, I met twice with Mr. Miyazawa, the Chief Cabinet Secretary, and he arranged a special meeting for me. I spoke to his group, about 10 persons. Mr. Abe Shintaro [current chief of the Ministry for International Trade and Industry (MITI)], showed interest in it. I think that one reason must be that Mr. Fukuda is a supporter of our idea; anyhow, finally he said that “it's a very good idea.” But several months ago, he told me that “we need the help of Keidanren” [the national business federation].

Over New Year's I was in the same hotel with Mr. Saito, the Chairman of Nippon Steel, and he said to me

that he wanted to make a speech in Dresden [East Germany] because he was scheduled to be made an honorary doctor of Dresden University—on that occasion he said, “I would like to make a speech on the GIF.” So of course I answered, “Yes, but don’t omit Mr. Doko’s name because Mr. Doko is a very important and influential person.” Recently a certain influential Arab person said that if Mr. Doko asked him to come to Japan, he will be willing to come. In such a way Mr. Doko is very influential, as you know.

It is a very difficult problem in Japan developing this idea, because in Japan the governmental system has the problem of sectionalism. For instance, once a very influential member of the House of Councilors [of the parliament], who later died, was very interested and wanted the OECD to promote it. But I said, “Don’t be in such a hurry, we must study much more.” In Japan, in order to propel such an idea, we need first of all MITI, the Foreign Ministry, and the Finance Ministry.

Sneider: The problem that you are describing, which is not necessarily unique to Japan, is a problem of political leadership. As I understand what you are saying, there is a problem of actually getting political leadership which is willing to advance ideas like this idea.

Nakajima: Japanese political leaders may not have the courage or self-confidence to promote a grand idea like this at the moment, since they have no such experience in the world. In Japan, diplomatic policy has been only “after you” policy.

Sneider: “After” the United States?

Nakajima: Not only the U.S.—everything “after you,” for instance “after the U.N.”

Sneider: I’ve noticed that in my conversations here, and I find it somewhat ironic. This is the only country in the world that I found an understanding of economics that I consider to be an understanding of what it really takes to make an economy work. This is a great strength of this country—there is also an understanding here, in business and government circles, of why it is necessary to develop the Third World, which you do not find in other countries, particularly my own.

I’ve been telling people here that Japan is uniquely situated to play a leadership role on the North-South issue and your idea represents such a leadership role. However, when I raise this question and I ask, “Do you have a policy to do this? How do you plan to respond to the crisis in the world?” then I find that I get a blank face.

Nakajima: It’s the same case with me. But Japan has a big responsibility for the problems of the world because Japan has now become the number-three country in the world from the economic point of view. We should not

be thinking in the “after you” system, but we should have our own, autonomous theory, autonomous thinking.

Sneider: People here have lived in this “after you” world since the war. Now there is thinking over the last 10 years as we have entered into a global economic crisis that Japan can no longer assume that the world will stay in a certain way. People are now being forced by necessity to change their way of thinking, but perhaps not fast enough to keep pace with the crisis that is developing. How do you increase the pace of thinking in order to meet the demands of the world situation?

Nakajima: The most effective way is for you to put it into your magazine story. I need the help of people in the world because it is too big for Japan to do it. But anyhow we have to do it as the number-three economy in the world, so that the problems of trade friction could be helped, even for Japan alone, but of course for the Third World.

Why should we help the Third World? Of course the problems of the Third World are their own countries’ problems, but also we need the big markets. In the 17th and 18th centuries, the discovery of North and South America became a big impetus for the first industrial revolution. If there is an increase of only \$1,000 in the per capita GNP of the population of the Third World it will mean [the equivalent of] almost two United States. It will be a great help for the world.

And after some 20 or 30 years, some new technology will be discovered.

Sneider: Like fusion technology?

Nakajima: Yes.

Sneider: You mentioned that you’ve got some response from some Arab leaders. Have you also discussed this with other developing country leaders?

Nakajima: Yes, for instance, the Oil Minister of Kuwait, who is next to Mr. Yamani [Saudi Oil Minister] in influence, showed great interest and I had a special talk with him. Before I visited the first time he had already studied our idea and when I met him he asked me first, “Please tell me about the GIF idea.” I believe he is a supporter.

Mr. Senghor [of Senegal] understands this idea and I talked to him about it. He listened to me and he is one of the leading people in Africa. Mrs. Gandhi [of India] also showed interest.

Sneider: Did you meet with Mrs. Gandhi?

Nakajima: No, but some people discussed it with her and I think she knows this idea. Also Mr. Miguel Wionczek, a professor at the National University of Mexico—he’s one of the leaders of the Pacific Rim project.