

**EIR:** Do you think world trade could end up then in trading blocs?

**Nakamura:** Yes, in fact, I think it's already happening naturally and this is a good development for trade. Look at the European Community in Europe, and NAFTA here in the U.S. This is the natural evolution. We in Japan have to do this, too. We have to build up our Asia bloc. We can try to get involved in other nations' trading blocs, but our Asia bloc is most important to us.

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## Interview: Sumihito Hirai

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# The debt crisis has stymied development

*Sumihito Hirai is the director of external affairs for Japan External Trade Organization (JETRO) in New York. He was interviewed by Kathy Wolfe on Nov. 4.*

**EIR:** Will the new government of Prime Minister Kiichi Miyazawa be tougher in negotiations with the U.S.? Many Japanese such as S. Ishihara, who wrote *The Japan that Can Say "No"*, now point out that the U.S. has shut down too much production and become a service economy.

**Hirai:** No, that's too simplistic; actually, Japanese companies would like to be more like the U.S. multinationals and develop their service components. You can't break down the difference between services and industry any more like that. In the most important, high-value-added industries today, services are an integral part of the industry. In the computer industry for example, what used to be classified as a "service" is now the bulk of the industry's business.

**EIR:** But you can't just replace production with services. Somebody has to produce the means of existence of the population.

**Hirai:** We want to give up that part of the production chain, like basic steel, for example, the lowest value-added products, and relocate those factories in other countries where labor and other costs are lower. In fact, Japan has already done that during the 1980s.

It was forced upon us by world monetary developments. When the yen rose dramatically, the Japanese companies

producing basic industrial products could no longer afford to stay in Japan. Labor and export prices from Japan became too high and they could not export from Japan any more. If they wanted to survive, they had to move their volume production of lower value-added goods to the lesser developed countries (LDCs).

**EIR:** In studying Japan's global foreign direct investment (FDI) figures, it seems that Japan has carefully divided its funds to cover every area of the world. Is that true?

**Hirai:** Yes. World business has become global, and Japanese companies want to become global multinationals. The best way to do that is to make varied direct investment abroad. We are just following what the U.S. companies did during the 1960s when they became multinationals. That is why we are here in the U.S. for this conference.

**EIR:** Does Japan have a global investment strategic plan, or is it an accident that each year Japan invests 30% in LDCs, 40% in the United States, 20% in Europe?

**Hirai:** Yes, it is a sort of strategic plan, because Japan has no natural resources and Japan is a small market. Therefore, we had to go everywhere, to secure various natural resources and to secure a share of the market in all parts of the world. So we invested in factories everywhere we could.

**EIR:** But don't you think Japan should focus, and get the U.S. to focus more, on the rest of the world's population?

**Hirai:** The problem with the LDCs, Soviets, China, etc., is that they are not really a market now, unless they raise their living standards. Right now they are too poor to buy Japanese goods. First we must raise their living standards, and that is very slow and expensive. That is why we gave so much assistance to Asian countries. This has paid off in the "tiger" nations such as Taiwan and Singapore.

**EIR:** What about the 1970s Mitsubishi Research Institute Global Infrastructure Fund idea, to spark industry in the Third World using infrastructure projects?

**Hirai:** The problem is that there is not enough money.

**EIR:** That's because the industrial countries give their surplus funds to the International Monetary Fund. Isn't it a problem in the 1980s that the IMF sits in the way of creating LDC markets?

**Hirai:** Yes, development was not possible in many of the LDCs because of the international debt crisis. It is certainly true in Latin America in the 1980s, so the Japanese could not build up investments there. But Asia is different. In Asia, for example, Korea and southeast Asia, we were able to raise living standards. Take Malaysia: They said [Prime Minister] Mathahir [Mohamad] was crazy with his development program, his new company, but he did very well, and Japan helped a lot.