

Takeo Fukuda: An Economic Wizard of Oz?

JAPAN

Takeo Fukuda's claim to the right to be Prime Minister of Japan has always been his reputation as an "economic wizard." During his 1976 drive to oust his predecessor Takeo Miki, Fukuda repeatedly assured businessmen in small, private meetings at well-known hotels that he — unlike Miki — knew just the right brilliant touches needed to put an end to Japan's three-year recession. The promised brilliant gimmicks were, of course, Chase Manhattan's reflation policies now embraced by the Carter Administration. It is poetic justice, therefore, that the economy is the issue which will most likely fell Trilateral Commission member Fukuda after July elections for the Upper House of Parliament.

So unpopular is the Carter program that, despite Fukuda's personal support, the Japanese government joined West Germany in a flat rejection of it at the Paris OECD meeting yesterday. The reason for the policy's unpopularity is quite simple. The production level in Japan at the end of January is no higher than it was last July — and the stagnation is predicted to last through March at least. For the last several months real consumption has been below the previous year's levels, while capital investment continues to fall. Corporate bond issues other than those for the power industry fell 65 percent in 1976! The banks cannot find borrowers and even they are screaming for lower interest rates.

The only thing that has kept the economy from falling through the floor has been continued high exports. And yet, last week Fukuda publicly endorsed Assistant Treasury Secretary C. Fred Bergsten's call for a steep yen revaluation and a payments deficit. Yet, Fukuda must know that he cannot add any more domestic stimulus to substitute for exports; the government budget deficit is already 30 percent. Was it those fellows at the Brookings Institution that labelled Fukuda an economic wizard?

Naturally enough, an opinion poll by the *Asahi Evening News* reveals that only 20 percent of the people support the man's economic policies. Only 28 percent approve him overall while 33 percent oppose him — the worst for any postwar Prime Minister.

Anti-Fukuda businessmen and politicians have opened up a campaign to oust Fukuda while blocking him from carrying out Carter policies before the ouster is accomplished. Within the ruling Liberal-Democratic Party (LDP) the coalition is led by Toshio Komoto, a shipping magnate and former Trade and Industry Minister who is

the number two man in Miki's faction; Yasuhiro Nakasone, the leader of a major LDP faction; and Raizo Matsuno, a respected party elder who split from Fukuda's faction last fall. Matsuno and Takeo Miki put the coalition together following a successful closed meeting in January between Matsuno and prominent businessmen from across Japan. According to the March 2 *Mainichi*, the group believes that Fukuda will have to resign if, as expected, the LDP loses its small majority in the Upper House. Then, says Miki, "I shall return." Another Miki ally is the New Liberal Club (NLC), which split from the LDP last summer and gained 19 seats in the December Lower House elections. A close Miki economic advisor, Saburo Okita, just announced he will run for the Upper House on the NLC ticket.

The success of the anti-Fukuda campaign will depend upon business' ability to secure international agreements around economic cooperation. Particularly important in this regard are developments in Japan-West Germany relations. Japanese businessmen have repeatedly said that even if Europe broke with U.S. policy, Japan would remain loyal as long as West Germany did. Thus the significance of Japan's public support for West Germany's view at the OECD meeting, Vice-Finance Minister Matsukawa visited Bonn.

Many observers feel that the next alliance of the two countries against Carter will occur around energy policy — a traditional sore spot with Japan. The Carter Administration has tried to obstruct Japan's nuclear energy program by blocking supplies of enriched and reprocessed nuclear fuel. Japan Atomic Energy Commission head Goro Inoue, in Washington last week to settle the dispute, told the press Feb. 26 that the Carter Administration refused to budge. As a result, Japan will be unable to test its first reprocessing plant, and its breeder reactor program will be significantly delayed. Another atomic mission is now in Europe.

While business has been able to prevent Fukuda from acting on Carter's program, they aren't able to stop him from blocking their efforts at economic diplomacy. In the latest example, Chamber of Commerce and Industry Chairman Shigeo Nagano — back from a top-level mission to ten Mideast countries to discuss oil-for-technology deals — reported that no concrete agreements had been reached. Sources within the mission reported that the reason was the refusal of the Fukuda Administration to assure government support for the prospective deals, e.g. Export-Import Bank credit. This stalemate has led many businessmen to the conclusion that economic recovery means dumping "economic wizard" first.