

Fukuda Goes Home Empty-Handed

JAPAN

Japanese prime minister Takeo Fukuda left Washington this week a disappointed man. Fukuda came to this country for summit talks with Jimmy Carter hoping that his factional allies who now govern the United States would make a deal which would allow him to return to Tokyo with some form of compromise agreement on Japanese development of nuclear power. Fukuda needs such an agreement to appease Japan's top industrialist circles who are outraged at the U.S. moves to cut off Japan's ability to reprocess uranium. In return, Fukuda was prepared to use all his considerable influence in Japan's business and financial circles to tightly link Japan to the United States and against Europe in joint action to funnel funds into a proposed International Monetary Fund "bailout" scheme.

Fukuda also badly needed an appearance of success for his Carter trip for another reason: according to popularity polls in Japan's major newspapers, Fukuda's cabinet now enjoys the lowest popularity ever for a new government.

The Energy Debacle

Fukuda returns to Japan with nothing. Not only did Carter refuse to compromise on the nuclear issue but Carter used the talks to up the ante on the nuclear question. In his first meeting with Fukuda, Carter made it clear that the U.S. opposed even the opening of a Japanese built nuclear fuel reprocessing plant scheduled to be test-operated this summer! Carter also suggested Fukuda read the just-released Ford Foundation study on the role of nuclear energy (see National Report). The Ford Foundation report calls for a complete moratorium on the commercial development of fast breeder reactors until at least the year 2000 and a total ban on uranium enrichment reprocessing plants (like the one scheduled to be test run this summer).

After hearing Carter out, a stunned Fukuda could only reply that Japan needed an alternative source of energy to oil. The Japanese head of state pointedly added that his country did not have to be lectured about the dangers of atomic weapons by the United States.

Later at a press conference Fukuda was even more adamant, telling reporters he "disagreed with Carter's statement," there was "no understanding" between the two men over the issue and that both sides held "completely different positions." Fukuda also announced that a ministerial-level delegation would be sent to the United States to try to break the deadlock.

The Pressure From Tokyo

Fukuda's intransigence is a direct result of business arm-twisting. Before Fukuda left Tokyo the president of

Japan's business federation Keidan ren, Toshio Doko, told Fukuda that the current delay in the development of new energy sources could lead to energy blackouts within three to four years. While Fukuda was in Washington, Doko sent an urgent telegram warning Fukuda not to yield one inch on the energy issue.

The poisonous atmosphere generated in the energy talks put a pall over any discussion of Japanese cooperation with the U.S. in bailing the New York banks out of their problems with insecure Third World loans. A high U.S. Treasury official explained prior to the talks that Carter would discuss with Fukuda Japanese participation in one or more of the following bailout schemes:

- 1) a hefty Japanese contribution to a large International Monetary Fund (IMF) bailout fund (which New York City banking sources estimated at several billion dollars out of a total \$20 billion in additional funds to the IMF);
- 2) direct government-to-government loans by Japan to developing nations;
- 3) increased loans by private Japanese banks; and
- 4) Japanese agreement to some form of commodity buffer fund aimed at raising prices of raw materials exported by the Third World.

However, the energy dispute prevented any substantive discussion of this issue. Fukuda himself is personally in favor of bailing out the New York banks, but is restrained by business in Japan. Before leaving for the U.S., Fukuda privately pressured the Japanese banks to increase loans to the LDCs. But the Japanese banks issued what bankers here labeled a counterstatement, saying the LDCs were too uncreditworthy for the banks to risk further loans.

The U.S.-Japan communiqué on the subject was vague. Both Fukuda and Carter "agreed that the economic recovery of the industrialized democracies is indispensable to the stable growth of the international economy, and that nations with large-scale economies including the U.S. and Japan, while seeking to avoid recrudescence inflation, should contribute to the stimulation of the world economy in a manner commensurate with their respective situation." The communiqué was even harsher over the question of trade disputes, merely stating that Japan and the U.S. agreed on the "importance of the international principles of free trade."

Fukuda's Fears

The failure of Carter and Fukuda to work out any serious deal was made abundantly clear by Fukuda in his address to the National Press Club before returning to Tokyo. Abandoning his prepared text Fukuda declared: "I am not suggesting that we are once again on the road to a world war. Yet I feel a deep anxiety about the social and political consequences for the world if we slide once again into protectionism, or a breakup of the world economy into rival trading blocs."

For the Japanese the Washington meeting was proof that the new United States Administration is as bad if not

worse than rule under Henry Kissinger. According to one Japanese source, Fukuda now understands that "the U.S. and Japan do not share the same position on many issues. Above all, trade disputes and differences on defense policy on Korea and opposition to nuclear energy, Fukuda was forced to see that Washington

regards Japan not as an equal ally but as a retainer. One Japanese reporter described the summit well: the meeting "marks the beginning of some kind of deep conflict and disagreement between the U.S. and Japan which will grow in the next coming years."

EXCLUSIVE

Japan — The Politics Of Oil

There is a war going on between Japan and the United States today — an oil war. Led by a group of Japanese industrialists dubbed the "shigenha," or "natural resources faction," major Japanese business missions are quietly fanning out throughout the world — to Saudi Arabia, Iran, Iraq, Venezuela, Central America, Australia and Canada. Their purpose: to secure for Japan a long term supply of natural resources — oil in particular — free from any interference from the Rockefeller-controlled multinational oil firms groups around the Exxon corporation.

Behind the missions is the sense of crisis in Tokyo over Japan's continued dependence on oil supplies from the United States, and in particular from the Rockefeller group. Many Japanese in high circles correctly view recent moves by the Carter Administration to restrict Japan's independent development of nuclear power as intimately related to a general U.S. foreign policy aimed to strangle future high-growth economic policy for Japan.

Japan's leading businessmen, the "zaikai," have felt Rockefeller's pressure on their vital oil lifeline before — most recently in 1974 when the international oil majors (not the "Arabs"!) refused to unload oil-laden tankers, and created a de facto oil embargo spreading economic panic across Japan. A deeper probe into the thinking of these industrialists will reveal an even greater terror, that evoked by memories of an earlier Rockefeller oil embargo. Japan was forced into World War II after the U.S. moved to cripple Japan's navy with an oil cutoff.

A member of the recent (and largely unsuccessful) Nagano mission to Saudi Arabia captured the Japanese fears of challenging the domination of the United States in a March 7 interview with the *Yomiuri Daily News*, Japan's second largest paper and a long-time advocate of greater Japanese control of resources. "Japan depends upon Saudi Arabia for one-third of its imported oil, while nearly all of the U.S. oil imports come from Saudi Arabia. Hence, there is a possibility of a struggle for oil taking place between Japan and the U.S. in the near future. Japan will be completely defeated in the struggle since the Japanese have made little contribution to industrialization efforts in Saudi Arabia, whereas the U.S. is on intimate terms with Saudi Arabia."

The business leader concluded: "Where shall we be if Saudi Arabia hesitates to supply oil to Japan in an emergency? I spend sleepless nights out of anxiety."

Japanese Dilemma

Of all the advanced nations, Japan is today in the worst

position in the struggle against the multis. Japan lacks the historic ties that nations like Britain, France and Italy have with the Middle East and the Soviet Union. Even worse, Japan is only now attempting to put together a Japanese multinational modeled on ENI (the Italian state sector oil company). Until now Japan's independent oil firms have been a hodgepodge of small refiners mainly dependent on the U.S. multis for their supplies.

— Table 1 —
Ownership Of Refineries

I. Refineries owned by international majors		% OIL REFINED
FIRM — OWNERSHIP		
Nippon Oil — In 50-50 partnership with Caltex	for refining arm	23%
Showa Oil — 50% owned by Dutch Shell		7%
Koa Oil — 50% owned by Caltex		4%
Toa Nemryo Kogyo — 50% owned by Exxon-Mobil		7%

II. Independents		% OIL REFINED
FIRM — OWNERSHIP		
Idemitsu — family-owned		19%
Maruzen — Sanwa Bank group		12%
Daikyo — Industrial Bank of Japan group		8%
Toa — C. Itoh Trading Company		4%

III. Mixed		% OIL REFINED
FIRM — OWNERSHIP		
Mitsubishi — 52-48 owned by Mitsubishi group	and U.S. Getty Oil	10%
Asia Oil — Mitsubishi (Fukuda supporter) but	under MITI's umbrella	2%
Others		4%

This fundamental Japanese weakness was highlighted during the 1974 crisis. At that time, the multis, despite the supposed "Arab" boycott, were having no difficulty supplying their own directly controlled firms like Nippon Oil (see Table 1) with cheap oil, but the Japanese-controlled firms were being charged exorbitant prices for crude. Then Ministry of International Trade and