

Charan Singh's aversion to industrial growth. Echoing Desai's personal preferences, Fernandes, in his maiden speech to parliament enumerated the following five points as his goals: maximize production of consumer goods; optimal utilization of human and natural resources; prevention of concentration of economic power; employment oriented industries; and making industry responsible to social needs. As his stated policies demonstrate, Fernandes' appointment may serve as a stopgap measure against Charan Singh's policies, but in no way provides a real solution to economic problems. Fernandes has proposed basically a World Bank "industries" policy — labor-intensive small industrial growth, albeit in the public sector.

India's largest problem is unemployment an issue the

budget has inadequately addressed. Desai has himself endorsed a food-for-work program, to utilize the overflowing grain reserves as wages to build irrigation and other infrastructure. These projects differ little from the World Bank proposals that India take the "risks" necessary now and reorient her economic perspective around agriculture. A leading Indian daily, *Patriot*, incisively pointed out in an editorial that if India follows an agro-centered path of development in ten years, her heavy industries sector would not be able to produce the goods and services necessary to keep pace with her population. In turn, *Patriot* states, a basic difference of views underlines Chandra Shekar's position and that of Charan Singh. The conditions of the whopping \$2.4 billion are Singh's proposals.

Japan Election Returns Give Both Sides Breathing Space

Japan's ruling Liberal Democratic Party has won a surprise victory in elections for the Upper House of Japan's parliament, retaining 64 of the 65 seats the party had previously held and a razor-thin majority of total Upper House seats. The LDP's showing dashed the hopes of various Atlanticist press pundits, in particular the *New York Times*, which forecast a new era of political chaos and "musical chairs" coalition governments in Japan between a weakened LDP and its various competing "opposition" parties. In the vote the LDP held its ground against both its "left" opponents in both the Japanese Socialist and Communist parties as well as its erstwhile conservative rival, the recently formed New Liberal Club.

Although it will provide Japan's current pro-Wall Street premier Takeo Fukuda some political breathing space, the LDP's victory has also given Fukuda's conservative opponents in the LDP the political stability they badly needed to resist Carter Administration pressure. Japan's fight with the White House revolves around three principal issues: U.S. efforts to force an upvaluation of the yen which would weaken Japan's export oriented economy; Carter's opposition to Japan's development of nuclear energy; and U.S. maneuvering to force Japan into a military alliance with China — Washington's "second front" policy against the Soviet Union.

Japan's conservative opposition has been strongest on the nuclear issue. Before the elections the head of Japan's big business federation, Toshio Doko, called on Japan to ship part of its uranium supplies to the Soviet Union for enrichment, breaking Washington's monopoly over enriched uranium supplies to Japan. Doko made this threat in a front-page interview in the *Japan Economic Journal*, citing West Germany as the model country Japan should follow in its relations with the Soviet Union. Doko noted that West Germany now has 40 percent of its uranium enriched in the USSR and hopes to increase the figure to 47 percent very shortly. Doko also called on Japan and the Soviet Union to link energy questions with Siberian development.

Although the election campaign did not address these key issues directly, the national debate on the yen, nuclear energy and China will act as a check on Fukuda's own willingness to capitulate to Washington.

Fukuda

The Fukuda government has the lowest popular rating of any LDP government in history — about 27 percent approval. Japan's voters did not vote for Fukuda, but for a stable LDP-led government. There is every indication that the business pressure on Fukuda to pursue an anti-Carter policy after the elections will escalate. Japan's press reports that business until now was reluctant to move into an open attack on Fukuda for fear of damaging the LDP's fragile electoral position. That fear has now been greatly lessened.

Nonetheless the vote has given Fukuda some needed short-term political stability. Fukuda and his opponents in big business and the Miki and Nakasone factions inside the party had not expected the LDP to make such a strong showing.

The general press predicted that the LDP would wind up with 60 to 62 seats. The anti-Fukuda group intended to use this outcome to force an LDP cabinet reshuffle, starting first with the ouster of Fukuda's foreign minister Ichiro Hatoyama. With the returns in, Fukuda vowed there will be no cabinet changes.

The Economy

In addition to the nuclear fuel decision Japan will be faced almost immediately with two other major questions — whether to sign an anti-Soviet peace treaty with China and what to do about Japanese-U.S. economic relations. Many circles believe Japan's China policy will depend upon the outcome of U.S. Secretary of State Vance's trip to Peking in August. The more successful Vance is in wooing the Chinese, the more Fukuda's own position in pushing a PRC treaty is thought to be strengthened inside Japanese ruling circles. A Japan-China treaty would virtually wreck any chances of

Japanese-Soviet cooperation on uranium enrichment and Siberian development.

Economic relations with the United States are a more pressing issue. In the past month the yen has appreciated almost 5 percent against the U.S. dollar. The appreciation of the yen is the direct result of pressure from the Carter government, in particular Secretary of the Treasury Blumenthal. Some Japanese are now speculating that Blumenthal's real aim is to drive the yen to 250 to the dollar.

Blumenthal's mad push against Japan has intersected a much wider worldwide run out of the dollar, making the yen particularly vulnerable to speculation. The crisis got so bad last week that according to the Asahi paper the U.S. Federal Reserve in New York actually requested the Japanese central bank to intervene, which the Bank of Japan did to approximately \$50-70 million, to prevent a too rapid dollar slippage.

The entire currency mess has the Japanese press speculating that the U.S. may be preparing for another major "economic shock" analagous to the 1971 end of the Bretton Woods parity system.

Japan's major business circles are trying to reverse the situation in the U.S. by threatening to ignore the Rockefeller business group — the sponsors of Carter and Blumenthal. According to one well informed source after the disastrous U.S.-Japan businessmen meeting in Washington ended in a public disagreement between the two nations over the position of the yen, key leaders of the Japanese delegation, including Fuji bank advisor Iwasa made a visit to Chicago to meet with leading Morgan linked firms there. Reportedly Iwasa found some of the Morgan group firms very excited about joint cooperation with the Japanese and Soviets in developing Siberia's vast reserves, especially oil. Until now the Rockefeller group has successfully blocked all direct U.S. participation in Siberia.

Japanese business leaders have also moved to shore up their ties with the Middle East. MITI vice-minister Masuda recently visited key Arab countries, including a long stay in Saudi Arabia, to show the Arabs that the Japanese government was firm in supporting Japanese-

Middle East economic development. The powerful Mitsubishi group, Japan's major heavy industry producer, is leading the way from the business side to develop Arab ties.

Meanwhile, however, the failure of anti-Rockefeller business groups in the United States to make a strong stand against the Carter government has increased Japan's own sense of economic isolation.

The Left

The Japanese Socialist and Communist parties were the big losers in the elections. The JSP won only 27 of its 32 seats up for reelection; the JCP took just 5 of the 9 seats it previously held. Both the SP and CP once again distinguished themselves for their utter lack of a positive economic program. The JSP actually ran on the traitorous platform of opposing nuclear energy development because it was "unsafe." As a result the JSP continued its longterm downward slide in voter popularity. The party did so badly both its chairman and secretary general have said they will resign, according to the *London Times*. Narita's removal would escalate an already ongoing faction fight between the relatively pro-Soviet "Socialism Association" faction and a gaggle of Fabian and Maoist kooks.

The election results should cause some serious rethinking inside the Communist Party as well. Until now the party has been the virtual fiefdom of its leader Kenji Miyamoto, who was just barely elected to a first term seat in the Upper House. Miyamoto ran on a program of attacking the Soviet Union's stand on the northern islands issue! This "Yellow Communist" campaign was accurately described by the Soviet paper *Pravda* as "more anti-Soviet than anyone else in Japan." By refusing to distinguish the JCP politically from its main competitor for votes in the Opposition parties, the rightwing Buddhist Komei party, the JCP actually helped increase the Komei's seats in the Upper House from 10 to 14. The CP's share of the popular vote also dropped from 10 percent to around 8 percent.

—K. Coogan