

Japanese Currency Panic Grows In Wake Of Ushiba Visit

The Bank of Japan Dec. 15, under direct orders from Japanese Prime Minister Takeo Fukuda, intervened in the Tokyo foreign exchange market purchasing the bulk of the \$883 million traded to prevent the dollar from falling through the floor. The bank's action managed to hold the yen at ¥238 to the dollar despite the heaviest trading day on the market since the 1979 abandonment of the fixed exchange rates. The bank's actions, according

Business leaders like Bunpei Otsuki, vice-president of Japan's big business federation Keidanren, yesterday urged the Government to "trim Japan's large trade surplus" by an "expansion of domestic business" according to the *New York Times*. Keidanren has been lobbying for a ¥35 trillion budget which the federation claims would give Japan a 6.5 percent real growth rate next fiscal year which would reduce Japan's current accounts surplus from \$9 billion to \$6 billion. The Ministry of Finance's proposed budget is only ¥33 trillion, which Keidanren says won't even make a dent in the surplus. The Japanese government has indicated it will try to achieve a 7 percent growth target next year as a way of "satisfying U.S. demands."

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to today's *New York Times*, managed to "avert a possible temporary shutdown of the Tokyo market because of the unsettled conditions."

Toshio Komoto, Japan's new Industries and Trade Minister, warned in a speech a few days after the Basel central bankers' meeting that a collapse of the dollar is under way which could drive the yen upward by 10 to 20 points. According to the Dec. 15 *Journal of Commerce* Komoto then demanded that the Fukuda government carry out a larger reflation program to aid domestic industry. Komoto also warned that the collapse of world industry would propel the Carter Administration to legislate major protectionist measures.

The dollar's plunge is putting severe strains on Japanese heavy industry. Its plight was made public Dec. 15 when the top executives of Japan's shipping firm, Japan Line — a major prodevelopment corporation — called for a one-year moratorium on its debts to Japan's major banks in order to avoid a collapse. The bankruptcy of Japan Lines would be the biggest in postwar Japan, bringing down hundreds of small companies with it.

The Ushiba Trip

In the wake of Fukuda External Economic Affairs Minister Ushiba's visit to Washington, the business community, using Industries Minister Komoto as its main spokesman in the cabinet, is demanding that Fukuda and the new Finance Minister Murayama pursue a high economic growth policy even at the cost of increased deficit financing — something the Finance Ministry has been strongly opposed to. The keystone of this policy is nuclear energy. According to the Council on Energy Problems, the major business advisory group for the government, Japan should attempt to double its electricity production by increasing atomic power production eight times so that by 1990 atomic power will supply 25 percent of Japan's energy needs.

The Agriculture Question

Japan is now preparing to offer the United States a relaxation of Japan's restrictions on agricultural imports. According to the *Asahi*, the new head of Japan's Economic Planning Agency Keichi Miyazawa tried to push for decontrol of all agricultural imports as part of Ushiba's concessions and was "narrowly outmaneuvered by" Japan's own protectionist forces inside both the government bureaucracy and the LDP. Japan's farm sector receives major government subsidies. As a result of this subsidy policy for the farm sector (the major voting bloc in the LDP), Japan's beef prices are extraordinarily high. Now with business itself fully backing measures to reduce food prices, Miyazawa is expected to succeed in an easing up of Japan's agricultural controls.

Sonoda's Plans

Japan's new Foreign Minister Sonoda will go to Moscow in early January on his first major diplomatic mission to discuss economic cooperation projects between the two nations. A few days after that trip, Sonoda will tour Saudi Arabia, Iran and Egypt to strengthen Japan's ties there. Japan also appears close to signing a peace treaty with the People's Republic of China which would strengthen Japanese industry there. That pact is being made possible by signals now coming out of China that the government is prepared to back down on the conditions of the treaty itself. The Chinese in the past had been vehement in demanding that Japan sign an "anti-hegemony" clause against the Soviet Union which Japan has refused to do. Now the Chinese are privately indicating that the clause can be rewritten to remove its anti-Soviet implications which has been Japan's consistent precondition for signing.

— Kevin Coogan