

shows, is an illusory one in any case. The swift and sure remedy for Canada does not appear imminently possible: a government committed to crash industrial development in cooperation with, especially, the U.S., USSR, and Japan. It is one more sign of U.S. importance that, despite the tremendous volume of its trade with and investment in Canada, it does not have a partner or even a tractable client state north of the border, but a London-coached problem.

### Emminger's Version of Stabilization

Bundesbank chief Emminger meanwhile is applauding U.S. Federal Reserve chairman Miller's credit crunch against the American economy. In the midst of the West German-Soviet "deal of the century," Emminger presented himself publicly to say that he sees no impulse for the growth of West German exports! What he does see, he claimed, is a flood of cheap exports from less-developed countries threatening world trade.

Emminger went on to repeat that there is no substitute for the dollar as the world reserve currency — and ended with the prescription that in fact there is no way to avoid the deutschmark taking over some of the dollar reserves' activities. In terms of international policy measures to stabilize the dollar, concluded Emminger, authorities should draw the mark interest rates (currently in the 3.5 percent range, and weakening) even lower, push the U.S. rates (corporate prime rates at 8.25 percent, and rising) higher. This exercise is supposed to draw investment into the U.S., beefing up the balance of

payments and thus the dollar's standing. Emminger added that since money is already moving out of West Germany to high-interest spots, the Bundesbank can afford to increase domestic liquidity — i.e., print more marks for the mark reserve operations. Emminger also called for selective European reflation — "lower growth differentials" — to enable the joint-float currency snake's expansion, one of London's anti-dollar projects.

Emminger has the faceless demeanor of a classic, conservative European central banker, but his conservatism seems to represent the worst tradition of the Milton Friedman-Friedrich von Hayek monetarism that was imposed on the Federal Republic through the late 1940s. Emminger spent much of the 1950s in the City of London, which invented this German-model anti-dirigism and credit restriction; he is said to conduct even intramural business in the Queen's English.

Such central bankers have usually been able to strike a responsive chord among many West German businessmen who are eager to increase their Third World, OPEC, and socialist bloc exports, but think it necessary to keep an Antaeus hold on the earth when it comes to proposals for state export financing or massive low-interest long-term private credits of the kind Emminger is implicitly ruling out.

The 25-year Bonn-Moscow agreement and its multi-lateral spinoffs hold a Herculean promise of sweeping the Bundesbank into line, or out of the way. But in the meantime, Emminger is bolstering Miller's credibility just as Miller begins to lose his own footing.

—Susan Johnson

## Fukuda Drops A Fusion Bombshell

Japanese Prime Minister Takeo Fukuda has challenged the United States to join with Japan in "colossal investment in human and material resources" to develop thermonuclear fusion power. Speaking May 3 before the Foreign Policy Association and Japan Society in New York, Fukuda stressed that the key to a Japanese-American collaboration is the effort by both nations to develop new technologies to lead the world economy out of the "doldrums" and to solve the problem of North-South competition over "limited resources."

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### JAPAN

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Fukuda emphasized that such a U.S.-Japanese effort should not exclude other nations committed to the peaceful development of fusion power. Japan, whose national budget allocation of fusion power research now exceeds that of the U.S., is now working extensively with the Soviet Union in a joint fusion program started last year.

The Japanese government's concern over close collaboration with both West Germany and the Soviet Union was underlined by Japanese Foreign Trade Minister Ushiba who left New York at the end of Fukuda's visit and flew to Bonn for meetings with Chancellor Schmidt and leading West German

businessmen. Before Ushiba left he told *New York Times* correspondent Leonard Silk: "There is no question that the depression led to World War II." Silk then comments: "How to prevent such a recurrence of that tragic sequence of events is the dominant worry of the Japanese government." The Japanese government's policy is to create a development axis between Bonn and Tokyo and to draw both the Soviet Union and the United States into that axis on the basis of these nations' commitment to high technology. While Chancellor Schmidt and Soviet President Brezhnev outlined the way the Soviet and European economies could be more fully integrated through a series of extensive development deals Fukuda attempted to bring the "blue chip" elite of U.S. industry into the same axis. The vehicle Fukuda chose was his proposal for joint development of fusion power.

#### *Fukuda: Technology For Man's Well-Being*

Fukuda told his audience of 1,300 leading Japanese and American businessmen in New York:

*Fusion involves harnessing almost unlimited energy from a man-made process which employs the same principle by which the sun creates its heat and light in nature. It is in effect, the creation of a miniature sun on earth. Japanese and American experts are already exchanging technical information in this field but I should like to take a step further, pooling our human and financial resources in a joint effort to realize an ultimate*

*dream of mankind....Colossal investment in human and material resources are needed for research and development in all these areas.*

*With a view to making more efficient use of limited resources available and to make Japan-U.S. cooperation more meaningful, I wish to propose that Japan and the United States seriously study the establishment of a joint fund for the advancement of science and technology, to serve as a framework for international cooperation in these areas....The door could be open for participation in these projects by all countries which wish to cooperate with Japan and the United States to put science and technology to work for the well-being of mankind.*

He correctly located the need for scientific development as the solution for world economic recovery, warning his audience:

*The present condition of the world economy presents the most threatening challenge we face as Japan and the United States work together to build a better world....I am deeply concerned that unless we find a way out, a situation may develop where world stability and peace are endangered. It is most important that the United States and Japan, two of the greatest economic powers in the world, approach this challenge, not as bilateral problems between our two countries, but rather as a responsibility — and, indeed, an opportunity — to contribute individually and jointly to the stable expansion of the world economy.*

Fukuda then located the need for scientific development as crucial to the continued growth of the developing nations, and to Japan's commitment to play a leading role in the drive for peaceful progress, and said:

*Science can provide impetus to new productive activities, and serve as a prime mover in the future expansion of the world economy, or can waste our resources and threaten our survival. Exactly because of this dual character of science and technology, I believe it is the duty of Japan, a nation dedicated to peace, to participate vigorously in cooperative international efforts to utilize science and technology solely for improving the standard of living of the world's peoples...*

#### *Whither the U.S.?*

After his speech, Fukuda left for a private meeting with David Rockefeller, New York Federal Reserve member Paul Volker and 18 leading U.S. businessmen to get U.S. business support for his proposals. However, efforts to get private support for fusion development will not mitigate the fact that the Japanese Prime Minister received no direct word of support from the Carter Administration itself.

In Washington, Fukuda faced an Administration torn between the faction around Special Trade Negotiator Robert Strauss and that of Treasury Secretary W. Michael Blumenthal.

In his talks with Carter Administration officials, Fukuda took a very strong stand defending his government's economic policies with charts and figures. Fukuda's economic policies met with the support of U.S. Secretary of State Vance, an ally of Strauss, who told the

Japanese that he believed that Japan had made a "strong commitment" to reduce its surplus. In direct talks with Carter, Fukuda made a calculated effort to undercut the antidevelopment Blumenthal faction by proposing to reverse the trade imbalance between the two countries by increasing Japan's purchases of U.S. uranium exports. The United States, incredibly, refused to accept Fukuda's offer and U.S. officials would only say that they had "discussed" the sales with Fukuda.

Fukuda's own contempt for Carter personally as well as Fukuda's own appreciation of the U.S. State Department was evident in his New York address. In his speech Fukuda barely mentioned meeting Carter while he went out of his way to praise U.S. Ambassador to Japan Mike Mansfield who is the major spokesman for the State Department line on Japan. Mansfield also played an important role organizing his former colleagues in the Congress to insure that Fukuda would receive a civil reception from the U.S. Congress, which has a widespread reputation in Japan as a hotbed of protectionism. According to one Japanese, Fukuda was far more concerned about his meeting with the U.S. Congressmen than he was about the reception he would get from Carter!

#### *The Development Targets*

Despite this lukewarm reception by the Carter Administration, the Japanese have not ruled out future U.S. cooperation in large-scale development projects now on the drawing boards. In late May, U.S. and Japanese business interests and Soviet representatives will meet in Tokyo to plan a major liquified natural gas development project for Siberia.

The Japanese attempt to have the U.S. participate in the development of both fusion power and the vast natural resources of Siberia was directly influenced by the publication recently of a Rockefeller Foundation report on Energy which also stressed the necessity for both fusion power and Siberian development.

Similarly, the Japanese are encouraging U.S. business involvement in the development of Southeast Asia. The head of Japan's Ministry of International Trade and Industry, Toshio Komoto, is now touring the area, mapping out largescale development projects. Prime Minister Fukuda in his New York speech also stressed the importance of Southeast Asia to Japan especially Japan's role as a nonmilitary supplier of technology to the entire region, which Fukuda stated includes Indochina as well.

In his New York speech Fukuda also announced that Japan's development aid would be doubled in the next three years with much of the aid going to build up Japan's position in the Asian Development Bank, which is already heavily dominated by Japanese capital. At the ADB's annual meeting in Vienna a week ago the Japanese head of the ADB attacked Blumenthal flunkey C. Fred Bergsten who had argued for cutoff of ADB aid to Vietnam because of "human rights" violations. The ADB has a deep institutional presence in the region which could be easily expanded with U.S. capital investment.

—Kevin Coogan