
Interview: Shigeo Nagano



Japanese business leader: 'We should cooperate with the developing nations'

Mr. Shigeo Nagano, President of the Japan Chamber of Commerce and Industry, is well known as one of Japan's great business leaders. At the age of 82, Nagano is perhaps best known for his role in the building of Japan's steel industry, the third largest in the world. He was a leader of the Japanese steel industry before and during World War II, and he is still Honorary Chairman of Nippon Steel, the largest private steel company in the world.

In addition to his experience in Japan's domestic political and economic affairs, Mr. Nagano has been one of the most influential persons involved in formulating Japanese foreign policy, especially toward the developing countries. Among the many positions he now holds are: adviser, Foreign Ministry; adviser, Ministry of International Trade and Industry; and chairman, Prime Minister's Council for Foreign Economic Cooperation.

When Mr. Nagano talks, several things are particularly striking to the listener.

One is the enormous power wielded by the older generations of Japan, and the continuity between Japan's pre-war and post-war leadership. Nagano remembers World War II as if it occurred yesterday, and he is extremely proud of the recovery of Japan to its current position as one of the world's premier economic powers. At the same time, he is acutely conscious of the danger of war that exists in the world today, and the vulnerability of Japan to world political and economic shocks.

Also striking is the way Nagano, and other Japanese business leaders, conceive of the developing countries as nations with which Japan must cooperate. Japan may be the only developed nation today whose business leaders are actively promoting huge development projects for the developing sector; Nagano himself has dedicated much of his time in recent years to organizing the construction of a second sea-level Panama Canal.

Mr. Nagano was interviewed by EIR Special Services director Peter Ennis in his Tokyo office on July 26.

Ennis: Can you describe your basic forecast for the world economy for the coming period? What do you expect to happen?

Nagano: So far the world economy has been getting along somehow. It has been particularly good for Japan, and Japan has been in good condition—so far.

But now, the worldwide recession has closed in and the world economy is now staggering along in very bad shape. Japan is no exception.

Japan is a small country with only 37,000 square kilometers of land. We have no resources: no iron ore, coal, petroleum, lumber, food, clothing, copper, or oil. Give one example of a natural resource, and we don't have it.

So for this reason, it has been imperative for Japan to export as much as possible, so that we could buy those raw materials, and so far we have been buying these raw materials and then giving them added value, with our brains, our labor, our technology, and so forth.

Until 100 years ago, we simply did not have to do this. We had a population of only 30 million, and Japan was isolated from the rest of the world. We did not have to import or export.

Now, our population has increased by four-fold, and it is now 117 million. This means Japan must buy and sell in order to survive, and perhaps we are the most vulnerable country in the world to the ups and downs of the world economy. For this reason, we are strongly hopeful that the world economy would recover, including current exchange rates of currencies, and for this we hope that the United States would stabilize its interest rates at a more reasonable, lower rate so that we can start returning to a more normal economic position.

Ennis: You anticipated my second question, which concerns interest rates. Can you describe what effects the American high interest rates have had on Japan?

Nagano: Well, Japanese money goes out of the country because of American high interest rates. Our money is going out now, which weakens the yen.

Ennis: Many people say that the problem in the world economy is how to create more demand, or to improve purchasing power, especially in the developing countries. I understand you have given a lot of thought to this question. Can you give some of your ideas?

Nagano: Japan depends a great deal not only on the developing countries, but on countries from all over the world, for our daily needs. For example, the case of food. Most of our imported food we buy from the United States, and the United States is not a developing country. In any case, including the developing countries, Japan must be liked and understood by the whole world, or else we will not be able to export our goods and support four times the population that we had only 110 years ago.

In order to do this, we hope that the peace prevails, so that the poor developing countries will be able to create more demand. This is important for them not to be enticed into an undesirable direction.

For this, they need our cooperation, and we should cooperate with them for their developing efforts as much as possible so that they can develop themselves and thereby create world economic demand.

Ennis: You have paid attention to India, including the agricultural potential of India, should irrigation and other projects be built. Can you describe why you are interested in India?

Nagano: India is one of the great countries in the world. Of course, when you say "a great country," it depends on the definition of "great country." You may call a country great because of the vast area, or you may call it great because of the large population. In the case of India, the country is situated geographically right in the middle of the world congregation of people. With a population of 650 million people, it has the second largest population—second only to China. For this country to stay on course is very important, so that the country would not be steered away into undesirable ideology. If there is any political unrest in that country, Japan will be affected because we are both in the same continent, Asia.

The idea of large irrigation projects in India came from the construction of a second, sea-level Panama Canal, on which I am currently working very hard. I thought that with a large number of earth-moving machines, the Panama Canal construction could be quickly and cheaply accomplished, thereby enabling the depreciation of these machines to be divided into two projects.

My interest in India, and the food problem in that country,

led me to think that if the water streams of the Himalayas could be diverted into the Rajasthan Desert, they could irrigate a huge area for food production.

The Food and Agricultural Organization (FAO) says that by the end of this century the world's population will increase by 50 percent, and that there will be food shortages for sure. So the India idea came to my mind many years ago when I was talking with Ambassador John K. Galbraith, who was the U.S. Ambassador in India at that time, and to Japanese Ambassador Nasu, who is a well-known agronomist. The three of us got together and talked about the India food problem, and after that I have been thinking of perhaps depending on ODA—Official Development Assistance—for the irrigation purposes for India. With the increased food production in India, we can invite the political stabilization of that area.

Ennis: Clearly there is not a lack of physical demand in the world economy, when you simply glance at the needs of the developing countries. The problem appears to be that the debt of the Third World is preventing it from buying products from the developed countries. How do you propose to deal with the Third World debt problem?

Nagano: You see, the developing countries have many reasons for their unrest, including starvation, revolution, political unrest, and so forth, and their minds are always in turmoil. Some countries might wish to help them, and others may not wish to help them at all, and right now there is a confrontation.

My idea is that we should realize the recommendation made by the United Nations for ODA. I am the Chairman of the Prime Minister's Council for Foreign Economic Cooperation; this is the council that sends the recommendation for ODA to the prime minister. For myself, personally, I think we should realize what has been recommended concerning the amount of ODA to be provided to the developing countries. The Pearson Commission recommended spending 0.7 percent of GNP as ODA for the developing countries each year, and I do hope that the world's nations are thinking along this line.

Ennis: More specifically, following the Argentina-Britain war, there is some quiet but important talk in Latin America for Brazil, Mexico, Argentina, and Venezuela to jointly speak to the international banks about debt renegotiation. Would you favor responding in a favorable way to such an initiative?

Nagano: Perhaps these countries have the common feeling as developing countries that they have been victimized by the developed countries. In addition, all the Latin American countries have one common language—with the exception of Brazil, all of these countries speak Spanish.

I am the President of the Japan-Latin America Association, and from that standpoint I am naturally sympathetic toward the Latin American countries—I feel very close to them.

But, I think if there is any such necessity for renegotiating

the debts, it should not be restricted to only these four countries. All of the other Latin American countries must be in the same position. Furthermore, all of the world's developing countries must be in the same position.

It seems that in recent times, Argentina had the sympathy of all Latin American countries. I have no intention of criticizing the American position, but the United States stood on the side of Britain in the conflict. I wish the United States could understand the nationalism in Argentina—and the United States being in the same hemisphere, I wish some more sympathy toward Argentina had been shown by America. By the same token, I hope that the United States would extend cooperation to the construction of the Panama Canal. In actuality they seem to have a very good understanding of this proposal.

Ennis: The Eurodollar market seems to be very unstable after the collapse of Banco Ambrosiano. What is your thinking concerning conditions in the Eurodollar market, and overall international monetary policy? After all, we have now had more than 10 years of “floating rates” and other monetary instability.

Nagano: This is one of the issues that the Versailles summit took up. International economic stability was one of the greatest concerns of members of the summit, when they got together, and even they could not come to any effective conclusions.

I am no financial expert and I am not in a position to be able to give a very good and effective answer to this question. But I can say that the United States is the most fundamental member of the summit countries. Whereas trade balances can change year to year, the American policy positions are more fundamental. All of the free world looks to America to improve the situation. So, the measures that America takes strongly effect the rest of the free world. So, we hope the members of the summit can get together again and discuss this matter more thoroughly and can come to a very definite conclusion.

Now, as for my personal feeling toward the United States. Japan lost the war 36 years ago, and of course it was a very unfortunate thing that we had war. But the occupation after the war was good, after all, for the new U.S.-Japan relationship. During the occupation, many millions of Americans came as GIs and stayed here and lived here, and went back to their country with affection and understanding toward Japan.

And when the war ended, the Japanese government appointed me as the Governor of the economic restabilization board to bring the Japanese economy back to normal. In those days, Japan had no ships, no money, and food was in great shortage. We were on the brink of having food riots, and we were even afraid of a revolution because the Japanese people had no food to eat and they were starving. The United States came to the aid of Japan, utilizing two funds to buy food for starving Japanese people. Some allied countries seemed to

be not particularly happy about America doing this, but the United States said it was just doing what the international law was telling it to do, since Japan was under occupation and the victors had the obligation to feed the people under occupation, since the people of Japan were technically prisoners in those days. In any case, it was the days of “remember Pearl Harbor,” and all Japanese people were particularly grateful for American aid.

Nowadays, the United States is asking Japan for increased defense spending and increased armed forces, and this means the United States now really trusts Japan and wants to treat Japan as a true and equal partner. In Japan, there is a saying that you should not give a knife to a madman, and by this saying, Americans do not think Japan is a madman anymore.

Ennis: We have a major problem in the United States with a pessimism that has become well entrenched in our society, in part because of the “limits to growth” and other theories of the Club of Rome. Can you describe your general outlook for the future? Are you basically optimistic or pessimistic?

Nagano: Well, let's talk about Japan now, first. Japan is the largest importer of petroleum. Our economy revolves around the importation of petroleum.

At the time of the first oil shock, we simply were at a great loss—we simply did not know what to do as the price of oil rose two-, three-fold. It took a long time and great efforts to overcome this first oil shock. And, I do not want to sound like I am praising the Japanese people, but it took a lot of wisdom too. So, we got through the first oil shock, and then the second oil shock came, and the price of oil again went up two-, three-fold. Petroleum is very important for Japan's economy—we import about \$60 billion worth of oil each year, and we are still struggling through the second oil shock. But, I do trust the wisdom of the Japanese people; we will be able somehow to get through, with great difficulty.

The government had to issue a large volume of government bonds in order to overcome this economic difficulty. There is a huge government debt which would remain as a great burden to our descendants. So, we are now going through the movement of “administrative reform.” You must know about the specialized council. This has become a new, great political movement—that there ought to be equilibrium between income and spending, and I feel as if God is putting the Japanese people to test to see if Japanese can go through with this, and I do trust we will be able to do so.

As for American pessimism, I can well understand this feeling, because America was the richest country in the world, it was the envy of all the world. Actually, America reached the zenith. In Japan immediately after the war we were living like beggars; we were a huge group of beggars as we simply did not have anything to eat or anything to wear. But then, the situation got better and better, so for us Japanese, we simply are a people of optimism, because things got better and better after the war.