

Japanese Look for an FDR To Replace 'Koizumi Hoover'

by Kathy Wolfe

"Prime Minister Junichiro Koizumi is the next Herbert Hoover of Japan," a Tokyo insider told *EIR* recently. "People are tired of his insistence, like Herbert Hoover in 1930, that there is simply nothing the government can do about the collapsing Japanese economy. Of course there is plenty our government can do! That is how we built Japan in the first place! Koizumi depends for all economic advice on his Economic Minister Heizo Takenaka, who earlier proposed 'surgery without anesthesia' to create mass unemployment," this source said. "But Takenaka knows nothing about economics. He learned some theories about monetary policy at Harvard, but nothing he knows effects the real economy. They are both like Marie Antoinette, while the people go jobless, saying 'let them eat cake.'"

Under the surface, quiet Japan may be ready to explode, weeks after Koizumi's commitment to support the Iraq war, opposed by 80% of the population. "Twilight for Koizumi" was the editorial headline of the liberal *Asahi Shimbun* on April 2, noting public support has fallen from 65% to 40% due to his failures on the economy and the war. "Japan now faces the crucial test of its financial and industrial sectors," the *Asahi* editors wrote. "There is no prospect of economic recovery, and Koizumi's reform programs have yet to produce tangible results," but the Prime Minister focuses only on Iraq. The cabinet is split over the war, and ruling party chiefs such as former Premier Ryutaro Hashimoto will seek to unseat Koizumi in the fall, *Asahi* concluded. Hashimoto himself exploded in the Diet (parliament) on March 27, "Does anybody even know how much the reconstruction of Iraq will cost?" attacking Koizumi's plan for Japan to foot 20% of the bill.

"Japan has become no more than a satellite of the United

States. What has happened to Japan?" the conservative *Yomiuri Shimbun* asked April 9. Tokyo's entire elite, left to right, is asking the same question.

As Koizumi fiddles, Japan's finances burn. Tokyo's top five banks, in the first week in April, announced \$31.4 billion in losses for the fiscal year ending March 31, after the stock market fell below the critical 8,000 mark for the first time in decades. "Worries about a financial system breakdown are beginning to spread," *Nikkei News* wrote on April 7.

New Vision: New Silk Road

Even Japan's elder statesman, former Premier Kiichi Miyazawa, warned on April 2 that the war makes him "uneasy," because President Bush has adopted "a brand of neo-conservatism which is not far from fundamentalism. . . . Since Japan is providing bases to the U.S. military, Japan is not entirely indebted to America," he said. "But after Koizumi was forced to choose between the Japan-U.S. alliance and international cooperation, I am sure many people came to realize that this alliance is fraught with problems." Iraq's reconstruction, Miyazawa said, "will be a mess," and Bush "means to ask everybody else to deal with it," meaning Japan's taxpayers.

As the alternative, Tokyo's elite is looking with new eyes, at the "Eurasian Land-Bridge/New Silk Road," described in *EIR's* 1997 Special Report, as a "superpower for peace." It would ally Japan, South and even North Korea, China, Southeast Asia, Russia, India, and Europe, to build railroads, electrification, and water projects, as well as new cities and industries, along development corridors extending from Tokyo to Pusan to Paris.

After a briefing on the New Silk Road proposal, one Foreign Ministry official said, "Japan is drifting into pessimism,

with no national mission. This could be the new mission to wake up Japan.”

Increasingly, this means a call for new leaders. “Japan needs a new vision-maker, someone who can see that Japan’s future is with the economic development of Asia,” a Tokyo planner who has worked on the Silk Road for years said on April 2. “Everyone seems paralyzed with fear due to the war propaganda, and depressed by the hopelessness of Japan’s economy. Nobody can see a dream for the future. We need a political champion who can initiate this discussion, who can show some dream or path to peace and stable relationships. We need someone with a worldview, who can see past the media calling for war with North Korea, which is frightening so many Japanese—who can stand up and tell people, this is nonsense, we need to work with our neighbors.”

Those hoping for a change, name as possible “vision makers” former Foreign Minister Makiko Tanaka, who championed relations with China and Russia; and former Premier Hashimoto, who once criticized Wall Street’s “Enron Economics” as “financial AIDS,” warning against American-style bank deregulation. Both suffered scandals and demotions in the past, as penalty for showing such spine on the world stage. Even the name of former Vice Minister of Finance Eisuke Sakakibara comes up, due to his defense of Asian currencies in the 1997-98 “Asia crisis.” Someone has to do it, thinkers in Tokyo, are saying. They are looking for unusual Japanese leaders who are non-parochial, who understand world history, and know Japan’s true national interest.

‘End the Money Games, Build Industry’

Tokyo commentators are beginning to write—as *EIR* has insisted for years—that the only way out of the economic failure, is a new Japanese *foreign policy*. “Voodoo economics used to be common in the United States, and it now applies to Japan,” Japan Research Institute chairman Jitsuro Terashima told *Nikkei News* and *Asahi Shimbun* in two remarkable interviews April 8 and 9. “People seem to be blinded by the illusion that everything will get better as long as banks’ bad debts disappear,” he said, but it’s absurd. “Businesses are locked into defensive thinking” and “money games.”

“Japanese business leaders need a new vision. We need to squarely answer the question of how this country will secure its livelihood in the future, and retain its position in international society. . . . Even if the war ends with a U.S. and U.K. victory, Americanism will come to an end,” Terashima said. “There is a huge rift between Europe and the United States over this war. . . . Since the 1990s, the United States has depended upon Europe and Asia to finance its deficit, and used the money to finance a huge stock bubble. Last year, the U.S. current account deficit exceeded \$500 billion, and the accumulated deficit in the post-Cold War era has gone over \$2 trillion.”

Terashima insisted that this era is over. “Money flowing



Former Foreign Minister Makiko Tanaka, forced out in 2002 for publicly opposing the U.S. neo-conservatives’ war policies, is one of several leading figures now being looked to in Tokyo, for a new alternative policy to Prime Minister Koizumi’s abject slide from deflation to depression.

into the United States last year dropped 17% from a year ago,” he said, because people around the world are beginning to believe that “the U.S.-style market economy, that relied heavily on stock prices, is over, or starting to collapse. . . . The United States has a self-sufficient amount of energy resources and food, but Japan doesn’t. That makes the two countries’ fundamental economic conditions very different,” he concluded. “Until now, Japan has only pursued the U.S.-style economy, and there was a clear absence of talk on creating new industries. But Japan’s only way to survival is to remain a manufacturing economy. Japan needs to part ways with the U.S.-style economy that’s geared toward money games, and paint a vision for itself” by gearing up to sell its new industrial production to Asia and Europe.

Nikkei News Chief Editorial Writer Naoaki Okabe meanwhile, in a recent editorial “Japan Must Not Slip Into the Twilight,” wrote that the country can not and will not get out of its financial crisis unless the government creates “a new package of growth strategies” focused on expanding trade with Asia and Europe. “The government must also re-establish its global strategy, as part of the new growth package,” he wrote, stressing especially the need to place new emphasis on creating a common trade area between Japan, South Korea, and China.

Financial Crisis Unabated

Meanwhile, with each day in Tokyo, another huge bank or industrial firm announces an astonishing loss, as figures for the fiscal year ending March 31 roll in. On April 4, Mitsui

Financial Group became the fifth of the Top Five banks to announce a loss for the fiscal year, wracking up \$4 billion in red ink. All five big banks had started the last fiscal year expecting to earn a profit. While the world's biggest banks have had plunging profits in past, this is the first time they've been hit with such flat-out losses.

Daiwa Research also estimated that the top 1,500 non-financial companies listed on the First Section of the Tokyo Stock Exchange, had an additional combined total of \$30 billion in losses on their shareholdings for the fiscal year. The non-financial companies as a whole were still in the black, but profits for the whole group were down 12% (from projections made only in early March) due to the drop in value of their stock holdings.

The fall of Tokyo's Nikkei stock average below the critical 8,000 level to 7,849 on March 31, when all books were closed for the fiscal year, caused banks, and the industrial companies with which they interlock, to take massive losses on their portfolios of each others' stocks. The Nikkei index has been sinking with no bottom in sight since the crash of the Wall Street dot.com bubble, compounded this year by the threat of war in Iraq and Korea, rising oil prices, collapsing exports, and flight capital.

"Foreign and institutional investors are worried that there may be another banking system crisis such as 1997-98," Nikkei warns. "If the depositor withdrawals that occurred in 1997 and 1998 take place now, banks will move to accumulate a greater amount of cash on hand and decrease lending. Companies and consumers will be starved for cash," and all efforts to break Japan from the grip of its deepening deflation will be out the window.

Shares of Japan's mega-banks continue to plummet, down by 10% since the end of March. The fall in bank shares is now "blowing back" to devastate the industrial companies associated with each bank, which hold the bank's shares. Mitsubishi group companies were particularly hard hit due to their large holdings of Mitsubishi Tokyo Bank stock, whose price fell 43% during the fiscal year. Mitsubishi Electric lost \$500 on its bank's stock alone; Mitsubishi Metals lost \$400 million, and Sanyo Electric lost \$1.2 billion—the same dollar amount as its industrial operating profits. That left Sanyo almost in the red for the year despite all its production output and sales.

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Iraq War Drastically Distorts World Food Aid

by Paul Gallagher

World media in late March and early April created the image of American and British invading military forces generously bringing food aid to Iraqi civilians urgently in need of it. But notably, some towns in southern Iraq reportedly told their British conquerors that they didn't need food, having weeks of food supplies already; they desperately needed back the water and electricity supplies the American and British bombing and shelling had shut off. The reality is more ominous, and must be seen on a world scale.

The huge food aid mobilization "for humanitarian assistance" to an imagined happy, liberated "post-war" Iraq, was not simply part of the "cakewalk war" fantasy of the chicken-hawks in Washington; it also has severely distorted food aid worldwide, at a time of grave food shortages elsewhere and declining world cereal grains production and reserves.

Iraq, prior to the U.S.-British invasion, was not suffering serious food shortages. It is true that 16 million of the country's 24 million people were regularly depending on food baskets, primarily grains, provided through the UN's oil-for-food program, and administered by the World Food Programme (WFP) for food, and the Food and Agriculture Organization (FAO) for agricultural inputs. But many Middle Eastern countries, oil producers and others, are net food importers. This, roughly \$300 million per year in food imports, was being paid for by the sale of Iraq's crude oil production; it was not in fact food aid, like that for African countries hit by drought, war, and debt; for Afghanistan and other Central Asian Republics; for North Korea, etc.; which have been the subject of urgent and emergency appeals by the World Food Programme in recent years.

War 'Prepositioning' Squeezed Global Aid

Those very appeals, since at least February of this year, have been significantly squeezed as the biggest food aid donors—the United States, Canada, and Australia in particular—"prepositioned" food aid in preparation for the Iraq invasion which would cut off the UN food-import programs in that unfortunate country. Warehouses and airplane hangars in Jordan, Kuwait, and Qatar were filled to their ceilings with millions of bags of milled and unmilled grain for whatever occupying authority to dispense.

At the same time, WFP officials urgently warned that international food donations for North Korea—where 4-6 million people depend on them—essentially stopped. Those