Escalating 'trade war' with Japan part of Kissinger moves to topple pro-SDI Nakasone government

In the latest round of "trade negotiations" between the two nations, the United States is pressuring Japan to lower the standards for telecommunications equipment, so that U.S. equipment of poorer quality might be dumped into Japan's internal market. Among highly placed circles in Asia, this action is seen as an integral part of Henry A. Kissinger's continuing efforts to undermine the pro-SDI government of Prime Minister Nakasone.

U.S. government circles defending the latest turn in U.S. trade negotiations, insist that the Executive Branch is acting under heavy pressure from within the Congress. It is true that trade unions such as the United Auto Workers, and other local interests in various parts of the U.S.A., insist that the increasing percentile of Japan-made imports in total U.S. final goods sales does represent a heavy burden on the U.S. economy. However, the kinds of measures demanded of Japan will do nothing to reduce the soaring U.S. trade-deficit overall, or halt the accelerating collapse of the United States' agricultural and industrial goods-producing sectors. The only significant effect of the present trade negotiations will be to aid in Kissinger's present efforts to pull the United States, strategically, out of Europe, the Middle East, and Asia.

The United Auto Workers' statisticians are correct when they emphasize that foreign-manufactured parts are a zooming percentile of the total value of a vehicle produced by a U.S. manufacturer. This is true not only of the U.S. textile, electronics, auto, and steel sectors. Across the board, in all categories of products, U.S. manufacturers and resellers prefer the added profits of cheaper, and often better-built, foreign products. However, the UAW is mistaken in believing that foreign producers are closing down U.S. production. It is "Wall Street" and the "environmentalists," not Japan's industries, which are shutting down one large chunk of U.S. production after another.

It is not Japan, but Paul Volcker and the Swiss bankers, who have made foreign imports vastly cheaper than U.S. production, by running the dollar up to about three times its true value in terms of goods-content. For example, while the U.S. dollar is priced at about three West German deutschemarks, one deutschemark in a West German supermarket will buy as much as one dollar in a U.S. market. With currently inflated levels of the dollar, U.S. electronics exporters, for example, can not compete in price or quality with Japan's electronics on the world market. Not only are U.S. exports vastly overpriced, and imports vastly underpriced; lack of capital investment in new technologies in U.S. industries have left U.S. manufacturing technologically inferior to the modernized industries of foreign traders. Meanwhile, traditional markets for U.S. capital-goods exports, such as Mexico and South America, are being collapsed by the "IMF conditionalities" so far supported by the U.S. government.

Even if Japan's foreign-trade policies were a cause for the collapse of U.S. production levels, which they are not, the most vital strategic interests of the United States require that no assistance be given to Kissinger's current efforts to undermine the Nakasone government. On this point, most of the thinking around the administration and Congress is perhaps sincere, but badly mistaken.

What's wrong with the dollar?

Part of the problem is that the President's leading economic advisers, including former Treasury Secretary Donald Regan, are infected by absurd ideas. They "sincerely" do not know the difference between money and real wealth. While U.S. agriculture and basic industries are collapsing, the administration sincerely believes that increased employment in unskilled "services," such as fast-food stands, is a sign of "economic recovery." True, the levels of reported money-income have been rising over the 1983-85 period to date, but the levels of production are still below levels during the Carter administration, and whole chunks of U.S. production are continuing to collapse. As a result, one dollar, priced at three deutschemarks, buys about the same amount at the local supermarket as one deutschemark. So far, the administration and Congress have either ignored such simple facts, or simply can not make heads or tails of the simplest economic facts available to them.

How is it possible that national income, measured in money-terms, can be rising, while levels of production continue to collapse? Any intelligent layman can understand this problem, whereas Washington's professional economists can not.

Table 1. Estimated expense-cost ratio compared

	1950	1960	1970	1975	1980	1982
United States	1:1.79	1:2.69	1:2.93	1:4.23	1:4.13	1:4.66
Japan	1:0.98	1:1.37	1:1.11	1:2.17	1:2.16	1:1.60
West Germany	1:0.87	1:1.63	1:1.51	1:1.87	1:1.77	1:2.80
Britain	1:1.86	1:1.89	1:1.96	1:1.79	1:2.69	1:3.18

Table 2. Operatives as percentage of labor-force

	1950	1960	1970	1975	1980	1982
United States	31.0	28.1	27.1	23.9	23.5	21.2
Japan	41.8	38.3	35.9	31.6	29.5	28.7
West Germany	45.5	41.9	38.8	34.9	33.4	31.9
Britain	41.9	38.8	35.5	31.8	28.8	26.2

Table 3. U.S.A. output per member of labor-force

Category	1950	1960	1970	1975	1980	1982
Electricity	5.16	10.45	17.83	20.23	21.46	20.75a
New Steel	1.02	0.93	1.06	0.84	0.64	0.40b
Machine Tools	1.13	0.86	0.86	0.98	0.83	0.53c
Motor Vehicles	104.3	92.6	77.7	70.9	59.9	47.0d
Housing	17.5	20.3	17.1	12.4	12.3	10.0e

a = thousand kilowatts per worker
b = tons per worker
c = # of units per 1,000 workers
d = # of units per 1,000 workers
e = # of units per 1,000 workers

The way to think about a nation's economy, is to think of it as a kind of consolidated agro-industrial enterprise. Think of the total production of physical wealth by the nation, and examine the total costs and expenses of the economy in the same way one would analyze the costs and expenses of an industrial firm.

Divide all payments into the following sub-categories of costs and expenses of production:

1.0 Costs of Production

1.1 Direct costs of production

1.11 Costs of operatives' labor

1.12 Costs of imported goods, less exports

1.13 Amortization of capital improvements in plant, machinery, equipment, and basic economic infrastructure of the national economy.

2.0 Overhead Expenses

2.1 "Economic" expenses

2.11 Production management

2.12 Technical services to production and labor (science, medicine, teaching, engineering, etc.)

2.2 "Institutional" expenses

2.21 "Non-Economic" governmental (services, administration, police, military, etc.)

2.22 Non-governmental expenses (services, administration, selling, legal, etc.)

2.3 Waste expense

2.31 Unemployment

2.32 Labor-intensive "luxury" services

2.33 Usury and rentier speculation

2.34 Immoral recreational activities

2.35 Criminal activities

It is direct costs of production which necessarily vary directly in proportion to output of real wealth. "Economic services" are indispensable to increasing and maintaining the productive powers of labor, either as sustaining productive potential of the labor-force or in supplying improvements in technology to production of goods and infrastructure-building. "Institutional" expenses make no positive contribution to production of wealth, but are necessary to maintain the essential institutions of society. "Waste" is a direct tax on, deduction from, the output of wealth.

To compare the economic performance of two or more economies, we must compare the output per-capita of av-

Table 4. Increased energy per-capita (percentages)

	1950-1960	1960-1970	1970-1975	1975-1980
United States	10.4	35.2	0.8	1.3
Japan	120.0	184.8	11.5	8.1
West Germany	59.0	47.3	1.1	0.2
Britain	20.0	18.0	-1.9	-2.3

Table 5. Distribution of industrial potential

Region/Nation	1960	1970	1975	1980	1982
North America	45.320	54.685	60.817	66.746	67.766
United States	35.593	41.885	45.898	49.659	50.203
Canada	3.486	4.355	4.874	5.317	5.389
Mexico	6.239	8.444	10.044	11.770	12.173
South America	32.144	41.600	47.926	55.450	60.214
Argentina	4.332	4.992	5.378	5.794	5.885
Brazil	12.888	17.174	19.536	21.555	22.031
Western Europe	65.172	68.005	69.700	72.326	73.004
Britain	11.251	11.484	11.564	11.834	11.902
West Germany	12.400	12.763	13.039	13.449	13.573
France	9.347	10.437	10.888	11.362	11.486
Italy	10.900	11.510	11.576	12.009	12.078
Scandinavia	3.305	3.579	3.941	3.734	3.751
Africa	48.817	62.258	71.535	83.406	88.506
Egypt	4.663	5.988	6.837	7.913	8.129
Middle East	12.979	17.493	20.411	23.767	24.648
Soviet Empire	72.026	81.570	86.746	91.339	92.238
Northeast Asia	24.451	29.694	31.962	34.135	34.598
Japan	19.904	23.725	24.963	26.129	26.361
So. Korea	4.432	5.809	6.823	7.777	7.993
Taiwan	0.115	0.160	0.176	0.229	0.244
China	126.929	158.351	182.342	198.477	204.128
Other Asia	127.878	161.407	182.661	207.710	213.404
India	78.208	97.938	110.650	126.519	130.279

erage employed goods-producing operatives among the economies, and also compare the total costs and expenses of unit-output of the two or more economies. In other words, if two economies have approximately the same average level of productive output of persons employed as goods-producing operatives, the economy with the higher percentile of combined institutional and waste expenses, has a correspondingly lower productivity: Its currency is worth less in that ratio.

That is the reason that, today, the U.S. dollar is greatly overpriced when compared with Japan's yen or West Germany's deutschemark.

Let us compare changes in expense-cost ratio of a few countries over the postwar period (Table 1).

Let us compare this with changes in the percentile of the total labor-force employed as urban operatives in both goods-production and basic economic infrastructure (Table 2).

Then, compare this with the levels of indices of net U.S. goods-output per capita of the labor force for key categories of production (Table 3).

Energy consumption per square-kilometer is an approximate measure of the level of development of the territory of a nation. The more precise correlation is a function of area and population-density; however, the relative increase in energy consumption per capita does correlate with increases of levels of productivity (Table 4).

It is not correct to compare the ratio of price of output to wages of operatives, in comparisons of national economies. The price of the goods corresponding to the market-basket of operatives' income, includes all categories of costs plus expenses. So, if the ratio of expense to costs is higher in one economy than another, the average product will cost more as a result. It should be obvious, that if two nations have the same productivity of operatives, and the same standard of

Table 6. Indices of U.S. vs. Soviet output

Category	1950 U.S.A.	1950 Soviet	1970 U.S.A.	1970 Soviet	1980 U.S.A.	1980 Soviet
Electricity	100	22	464	224	693	392
Steel	100	30	136	132	115	168
Machine Tools	NA	100	70	286	87	306

Table 7. U.S. vs. Soviet military hardware

Category	1960 U.S.A.	1960 Soviet	1970 U.S.A.	1970 Soviet	1980 U.S.A.	1980 Soviet
Warships	531	582	536	564	397	656
Warplanes	8,120	11,675	4,447	7,525	4,215	7,907
Tanks	12,975	35,000	11,656	41,140	12,247	49,200
ICBMs	18	35	1,054	1,427	1,052	1,398

living, but one has a higher ratio of expense to cost, the price of the cost of living will be higher in the nation with the higher ratio of expense to cost.

The administration and at least most of the Congress are so far convinced that Americans are making more money during each year of the 1983-85 period, than the previous year. It's nice to make money, but what is your money actually worth, once the U.S. dollar falls to the true value of its goods-content on the world market? The administration and Congress have not understood the difference between money and wealth. So, they have continued to tolerate monetary and economic policies which have caused our national public and private debt to skyrocket, and which have caused the U.S. economy to plunge into what would be, under present policies, a permanent and worsening trade deficit. Since about April 1983, most of the United States has been living in a dream-world of money. To secure this dream-world money, we have been living on borrowings which could never be repaid at present rates, and have been able to borrow because of the soaring exchange-value of the dollar, an exchange-value which is already beginning to sag, and must collapse sometime over the months ahead.

Washington's economists are not economists at all; they are all "money-theorists," to the last man. Under their "expert" influence, the U.S. economy is being systematically destroyed. Naturally, such "experts" prefer to blame Japan, a Japan whose only "crime" is to guide itself by the same kinds of economic polices the United States used to follow, back in the days when our economics thinking was still sane.

The strategic implications

The need to change our monetary and economic policies is most easily seen from a military standpoint. The just-issued report of the U.S. Department of Defense, *Soviet Military Power*, points attention in the right directions.

Although the Soviet empire hopes to gobble up Europe, Asia, and large parts of Africa without significant resistance from the United States, Soviet military policy is based on a commitment to be prepared to launch and win a total war against the United States by approximately 1988.

Look at Europe, first. Greece is already out of the U.S. alliance in all but name, and is on the verge of formally moving into the Soviet sphere of influence. Sweden is nearly "Finlandized," and Denmark is on the verge of pulling out of NATO. If Foreign Minister Genscher's Liberals defect from the present coalition government of West Germany, Brandt's Social Democrats will probably become the government; if Brandt's Soviet-leaning party comes back to power, West Germany will be immediately virtually pulled out of the alliance with the United States, and will drift rapidly into the Soviet sphere of influence. If West Germany goes into the Soviet sphere of influence, nearly all of Western Europe will quickly follow.

Chiefly because of the heritage of the Carter-Brzezinski "Islamic Fundamentalism Card," and recent impositions of IMF conditionalities, all of the Middle East and North Africa has been destabilized to the degree that it could very well be inside the Soviet sphere of strategic influence within the year.

In Eastern Asia, Kissinger's prominent role in imposing arbitrary currency devaluations and IMF conditionalities, has the Philippines on the edge of chaos, and has gutted the regional military strength of all U.S. friends and allies.

IMF conditionalities have pushed many nations of South America to the verge of military coups by "cocaine colonels," by "right-wing" forces bought up by the Soviet-connected drug-trafficking, or civil wars. In the Congress, a badly misadvised Paula Hawkins and Dennis DeConcini, are taking actions which guarantee an early "cocaine colonels coup" in Bolivia; but most of the other Andean nations are similarly imperiled.

If these trends fostered by IMF policies continue, it is probable that Moscow could gobble up most of the world by

1988, without firing a single nuclear warhead. A brief review of the distribution of the world's industrial potential tells most of the story (Table 5).

With present trends of industrial collapse in the Americas, and continued rates of decoupling of Western Europe, the Middle East, Africa, and Asia, from the United States, the Soviet empire's sphere of strategic influence could readily expand to about 84% of the world's industrial potential by 1988. Given this pattern of trends, without economic and political cooperation between the United States and Premier Nakasone's Japan during the months and years immediately ahead, a global strategic disaster for the United States is assured.

Already, even before the productive capacity of Europe is placed at the disposal of Soviet buyers, the wide margin of Soviet military expenditures over the U.S.A., since the 1972 SALT I and ABM treaties, is ominous enough. Moscow would not have been able to sustain this growing margin of military advantage, even with sacrifices, had the Soviet economy not continued to grow while U.S. industrial potential was being collapsed (Tables 6 and 7).

If these trends continue, and if the United States does not build a strategic defense system to match the system which the Soviets will have deployed by approximately 1988, the Soviets will be capable of surviving and winning a total war against the United States launched suddenly from a "cold start," the number-one option in Soviet Marshal Nikolai Ogarkov's general war-plan. If Western Europe is "decoupled" from the U.S. military program by 1988, presently a most likely prospect, the United States would have little option but to capitulate to Soviet dictates, or be crushed totally within about two weeks of the launching of a Soviet assault.

Without disputing the merits of the President's proposed defense budget, U.S. spending at levels of less than something between $400 and $450 billion a year, ensures the possibility of Moscow's ability to implement Ogarkov's war-plan by about 1988. The needed levels of spending would include staffing and equipping in-depth "conventional war-fighting" capabilities, and would signify rebuilding the capacity for producing new steel far above the approximately 40 million annual tons at present, to about the 130-million-tons capacity of a few years ago. The same general approach must be taken toward production of machinery, especially machine-tools. The collapsing level of U.S. civilian industrial output is a national strategic disaster.

Such are the follies into which our government's policy-making falls, when we measure "economic progress" as the amount of money we are spending, rather than the quantity and quality of physical output we are producing per capita. If we were more sensible, instead of exporting our tragedies to Japan, we would insist that Japan export its economic policies of practice into the United States, the same policies which once made the United States powerful and great.

Africa threatened with recolonization

by Thierry Lalevée

The March 31 resignation of Egyptian Economics Minister Mustafa al Said in Cairo, and a large crowd of 10-20,000 people demonstrating on April 3 in Khartoum for the resignation of Sudanese President Gaafar Numayri, are not merely part of the process now destabilizing Egypt and Sudan, for the aim is not merely the overthrow of those two regimes. The entire African continent is the target.

There, in the *Financial Times* of London, the daily representing the international interests of the City, in black and white for the first time outside of *EIR,* was a statement of the actual policy of the International Monetary Fund and the World Bank: the recolonization of the continent of Africa. More precisely, the policy is to recolonize those countries rich in raw materials, while others will simply be destroyed, or given to the Soviet sphere of influence.

"In a sense, we are talking about a kind of recolonization—about sending smart white boys to tell them how to run their countries," said an IMF official quoted in the *Financial Times'* April 3 edition. Helping along the process, the *Financial Times* detailed, is the drought and starvation. "Mass starvation . . . is routine" in Africa by now, it reports happily. What makes the present crisis "one of the central events of our time," however, are the political and social consequences which are allowing a new "orthodoxy" to emerge: recolonization.

The resignation of Mustafa al Said amid allegations of corruption is a serious political setback for Egypt's President Hosni Mubarak, to whom he was a close and trusted associate. This is the latest blow in the not-so-diplomatic negotiations between the Egyptian government and the International Monetary Fund. The same day his resignation was announced, the government-connected weekly magazine *October* called Said a "scapegoat for Egypt's financial troubles."

Indeed, there are indications that Said was forced to resign because the financial and monetary measures he had imposed were successfully sabotaged by the bankers of the mafia and the black market he was trying to destroy with those measures.

His attempt to destroy the black market, which made a mockery of central bank regulation of the dollar/Egyptian-pound exchange rate, was met by an insidious campaign of rumors which scared foreign investors away and temporarily