Interview: Masataka Nakamura

'Trading blocs are a good development'

Masataka Nakamura is general manager of the offices of Mitsui Trust Co. in New York and a member of the Mitsui international board of directors. This interview was conducted by Kathy Wolfe on Nov. 4 in Virginia.

EIR: What is Mitsui bank's view of prospects for development of the Soviet Union and the lesser developed countries (LDCs)?
Nakamura: Unlike Americans, many of whose families came from eastern Europe, we are totally unfamiliar with the Soviet areas and eastern Europe. While the Japanese trading companies are very eager to go into the Soviet Union, most Japanese banks will take a go-slow approach.

We had a big disappointment in China. Japanese banks were very anxious to get into China and develop it; after normalization we made a lot of loans, but the economy did not respond, and now the loans are not being repaid.

So now we are not so eager to begin making loans in the Soviet Union. It is true they are no longer socialist, but it is very confusing. With whom should we make our agreements, [Mikhail] Gorbachov or [Russian Federation President Boris] Yeltsin, or someone else?

EIR: Doesn't Japan need to create Third World markets?
Nakamura: We prefer to work in Asia where we have a certain cultural understanding of the way of doing things. The growth areas for Japanese banks are in Asia: not so much China, but Thailand, Singapore, Malaysia, Indonesia, the "Asian tiger" nations. They are close to Japan geographically, and we need what they can produce.

EIR: I understand there is talk in Tokyo of increased use of the yen in international trade and reserves?
Nakamura: I don't think so; it's impossible because there is too much resistance.

EIR: Political or economic?
Nakamura: Japanese worry that people in these countries will remember the last war if we try to use yen in international trade. There will be a lot of resistance in Southeast Asia; countries will not accept the yen.

EIR: This brings up the problem, however, that the dollar monetary system is bankrupt. Don't you think all the debt in the dollar system is clogging up world trade?
Nakamura: Yes, debt is a terrible problem. But we have to follow the lead of the U.S. banks on this. The head of Mitsui was in New York recently from Tokyo, and I took him all around to meet the top management of Citibank, Chase Manhattan. We let them take the initiative.

EIR: The dollar world system today is like the British sterling world system in 1960: bankrupt. In 1960, England and the Commonwealth economies were stagnating and U.S. industry was growing. The British economy rotted out from under sterling, so there were a series of sterling crises. The dollar replaced sterling because the U.S. economy was functioning. You don't see the analogy?
Nakamura: Yes, I remember, I was in banking already then. But Japan cannot do anything like this with the yen today.

EIR: Are you afraid internationalizing the yen might bring dollar inflation into Japan? That's understandable.
Nakamura: Maybe, but my point is that Japan cannot take that kind of world leadership. Japan has no natural resources, so Japan cannot have a world currency. A world currency has to be backed by some kind of hard commodity. The U.S. is rich in natural resources.

EIR: But the International Monetary Fund-dollar system keeps Japan from trade and investment with three-fourths of the world. What about this new government of Prime Minister Kiichi Miyazawa? Do you think he might challenge the IMF's power over world trade?
Nakamura: I think that Miyazawa will have a strong government with an increased role in world issues, but I don't think Japan can challenge the IMF.

EIR: If I were the Japanese elite, I'd be trying to figure out how I could get a better market share in Latin America and Africa, and I would not want to have all my assets in a dollar-based system. Aren't you worried that Citibank could collapse?
Nakamura: Oh no, it's too big to fail, isn't it? You are right about Latin America, unfortunately. Japanese companies would like to get involved in investments, for example, in Mexico, if the North American Free Trade Agreement is signed, but right now they are sitting on the sidelines because investment is not safe yet.

That means we won't be doing much in the LDCs, except in Asia. We can continue to build up a natural trade bloc in Asia.

EIR: Do you think world trade could end up then in trading blocs?

Nakamura: Yes, in fact, I think it's already happening naturally and this is a good development for trade. Look at the European Community in Europe, and NAFTA here in the U.S. This is the natural evolution. We in Japan have to do this, too. We have to build up our Asia block. We can try to get involved in other nations' trading blocs, but our Asia bloc is most important to us.

Interview: Sumihito Hirai

The debt crisis has stymied development

Sumihito Hirai is the director of external affairs for Japan External Trade Organization (JETRO) in New York. He was interviewed by Kathy Wolfe on Nov. 4.

EIR: Will the new government of Prime Minister Kiichi Miyazawa be tougher in negotiations with the U.S.? Many Japanese such as S. Ishihara, who wrote *The Japan that Can Say "No"*, now point out that the U.S. has shut down too much production and become a service economy.

Hirai: No, that's too simplistic; actually, Japanese companies would like to be more like the U.S. multinationals and develop their service components. You can't break down the difference between services and industry any more like that. In the most important, high-value-added industries today, services are an integral part of the industry. In the computer industry for example, what used to be classified as a "service" is now the bulk of the industry's business.

EIR: But you can't just replace production with services. Somebody has to produce the means of existence of the population.

Hirai: We want to give up that part of the production chain, like basic steel, for example, the lowest value-added products, and relocate those factories in other countries where labor and other costs are lower. In fact, Japan has already done that during the 1980s.

It was forced upon us by world monetary developments. When the yen rose dramatically, the Japanese companies producing basic industrial products could no longer afford to stay in Japan. Labor and export prices from Japan became too high and they could not export from Japan any more. If they wanted to survive, they had to move their volume production of lower value-added goods to the lesser developed countries (LDCs).

EIR: In studying Japan's global foreign direct investment (FDI) figures, it seems that Japan has carefully divided its funds to cover every area of the world. Is that true?

Hirai: Yes. World business has become global, and Japanese companies want to become global multinationals. The best way to do that is to make varied direct investment abroad. We are just following what the U.S. companies did during the 1960s when they became multinationals. That is why we are here in the U.S. for this conference.

EIR: Does Japan have a global investment strategic plan, or is it an accident that each year Japan invests 30% in LDCs, 40% in the United States, 20% in Europe?

Hirai: Yes, it is a sort of strategic plan, because Japan has no natural resources and Japan is a small market. Therefore, we had to go everywhere, to secure various natural resources and to secure a share of the market in all parts of the world. So we invested in factories everywhere we could.

EIR: But don't you think Japan should focus, and get the U.S. to focus more, on the rest of the world's population?

Hirai: The problem with the LDCs, Soviets, China, etc., is that they are not really a market now, unless they raise their living standards. Right now they are too poor to buy Japanese goods. First we must raise their living standards, and that is very slow and expensive. That is why we gave so much assistance to Asian countries. This has paid off in the "tiger" nations such as Taiwan and Singapore.

EIR: What about the 1970s Mitsubishi Research Institute Global Infrastructure Fund idea, to spark industry in the Third World using infrastructure projects?

Hirai: The problem is that there is not enough money.

EIR: That's because the industrial countries give their surplus funds to the International Monetary Fund. Isn't it a problem in the 1980s that the IMF sits in the way of creating LDC markets?

Hirai: Yes, development was not possible in many of the LDCs because of the international debt crisis. It is certainly true in Latin America in the 1980s, so the Japanese could not build up investments there. But Asia is different. In Asia, for example, Korea and southeast Asia, we were able to raise living standards. Take Malaysia: They said [Prime Minister] Mathahir [Mohamad] was crazy with his development program, his new company, but he did very well, and Japan helped a lot.