

Clinton threatens Japan with trade backlash

Mike Head**25 November 1998**

No sooner had last week's Asia-Pacific Economic Cooperation (APEC) summit in Malaysia ended in failure, than US President Bill Clinton--who snubbed the summit--landed in Japan to issue new threats designed to open Japan's markets to American business.

And just days after Clinton's deputy, Al Gore, appeared on an APEC stage to posture as a champion of democracy in Malaysia, Clinton flew onto South Korea to hail Washington's model for "democratic reform"--Kim Dae Jung's regime in Seoul.

Both Clinton's visits highlighted the economic tensions and aggressive US demands that lay beneath the conflicts that fractured the APEC meeting.

In Tokyo, Clinton bluntly warned Prime Minister Keizo Obuchi's government that it faces a protectionist backlash if it fails to meet US demands for access to its markets. Clinton set the tone for his meeting with Obuchi by first telling a group of US businessmen that Japan had to do more to open its markets and stimulate economic growth.

Echoing his administration's denunciations of Japan for refusing to open its forestry and fisheries sectors to accelerated tariff cuts at the APEC summit, Clinton declared that the US might restrict the flow of Japanese and Asian exports to the US.

"The worst thing that can happen is if it appears that when times are tough, borders are closing up ... and then you are going to have a round of retaliatory protectionism," he said. He declared that a 500 percent rise in Japanese hot rolled steel exports to the US could undermine the support in the US for keeping markets open. "If there is a perception of unfairness, the consensus can disappear. It will create in our country the potential for retrenchment in a way that will not be good for Asia, Japan or the United States over the long run."

Clinton reiterated Washington's long-running demands for tax-cutting and other measures to revive Japan's stagnant economy. These calls are another way of insisting that US and other transnationals have unrestricted access to Japanese financial and industrial markets.

Although he praised Obuchi for finally securing parliamentary passage of a bank rescue package and a 24 trillion yen (\$A320 billion) fiscal stimulus plan, Clinton said "the people here may conclude that even more must be done to jolt the economy back into growth".

The US, backed by global financial institutions, has

repeatedly accused Tokyo of using stimulus packages to subsidise and bailout sections of Japanese big business. As Clinton arrived, the US-based credit rating agency Moody's Investors Services responded to Obuchi's recovery plan--the seventh in seven years--by downgrading Japan's triple A rating. Moody's asserted that Japan had deep structural problems that could not be solved with "pump priming".

Clinton's brief, brusque visit underlined the manner in which corporate America is taking advantage of the collapse of the Asian economies to assert its interests in the region and to undercut Japan's previously dominant influence.

One day after laying down the law to Obuchi, Clinton was in Seoul hailing President Kim Dae Jung's administration for the "tough choices" it had made to "address the financial crisis and put South Korea back on the road to economic growth".

In an indirect attack on both Japan and Malaysia, Clinton declared: "The US looks to Korea for its leadership in maintaining and expanding open markets during Asia's economic difficulties."

Extolling Kim's journey from "a prison cell to the presidential Blue House," Clinton lauded him as a visionary who was laying the path for Asian economies into the 21st century. Kim was jailed as a pro-democracy opponent of the US-backed military dictatorship in South Korea during the 1960s and 1970s.

Since taking office, Kim has imposed the dictates of the International Monetary Fund for the restructuring of the economy to facilitate the unrestricted entry of foreign investment. Thousands of companies have been bankrupted and two million workers are expected to be officially unemployed by the end of the year--treble January's total. Public sector wages are being slashed by as much as 20 percent; poverty and homelessness have worsened dramatically.

To enforce these policies, Kim has mobilised tens of thousands of troops and riot police against striking workers at Hyundai, Mando and other industrial plants, arrested scores of strike leaders and trade union officials and introduced laws allowing the country's conglomerates to impose mass retrenchments.

These are the "tough choices" endorsed by Clinton. They provide a guide to the type of political and economic measures that the US is demanding in Malaysia and other Asian countries. Under the banner of democracy, the US is demanding freedom for corporate profit, at the expense of the

social conditions--and democratic rights--of the working class.

As Clinton commenced his two-day visit, US officials suddenly claimed to have "compelling evidence" that North Korea was reactivating a nuclear weapons program. It was a transparent bid to give the US a pretext for military intervention on the Korean peninsula, where the US still maintains 37,000 troops, in addition to a similar number in nearby Japan.

However Clinton's spokesman on Korean affairs, Charles Kartman, withdrew the claims at the last minute, just before Clinton met Kim. The provocative US stance threatened to cut across Kim's "Sunshine Policy" of forging economic ties with the Stalinist regime in the North. As they layoff thousands of workers in the South, the Korean conglomerates are working to stitch together multi-billion dollar deals to open up plants in the North to take advantage of cheap labour supplied by the Stalinists. In the latest flowering of that policy, Hyundai chief Chung Ju-yeng and an entourage of Hyundai executives recently held talks with North Korean leader Kim Jong II.

APEC's breakdown

Clinton's aggressive tour was a fitting finale to the fiasco at the APEC summit. Marked from the outset by the US-Japan row over the removal of trade barriers in forestry and food products, the Kuala Lumpur meeting failed to agree on anything of substance.

Meeting after 18 months of economic meltdown and social catastrophe across the Asia-Pacific region, the assembled presidents and prime ministers could offer no solutions, or even any concrete proposals to lift economic growth rates.

Instead, the 21 national leaders, representing some two-thirds of the world's people and their economic output, gathered in colourful batik shirts to issue an empty communiquÃ©. In it, they appealed to the Group of Seven economic powers for "more effective aid" in order to "contain the risks of contagion and prevent the possibility of a global recession". Various vague calls for reform of the international financial system were shunted off to the G22 group, comprised of the world's 22 largest economies.

These pleas followed the collapse of what was supposed to be the summit's centrepiece--a commitment to a plan adopted by the 1997 Vancouver summit for \$1.5 trillion in tariff cuts covering nine areas of trade. The so-called Early Voluntary Sectoral Liberalisation scheme had to be referred to the World Trade Organisation.

An unnamed senior US official chided journalists covering the summit for writing that APEC's agenda for market-opening was "dead, in the dust, in the trash can". Likewise Australian Prime Minister John Howard insisted that APEC was not dead, despite producing a "second-best" outcome.

In reality, the summit's failure marks the end of a period in which the conflicting agendas that drove the formation and evolution of APEC could be papered over. So long as the "Asian economic miracle" continued, APEC could be portrayed as a vanguard of a new era of free trade and even as the herald

of emerging global prosperity.

The reality was always less glorious. As soon as APEC was formed in 1989, Washington seized upon it as a means of prising open the markets of Japan and the Asian region. Sections of Japan's business elite had initially conceived of APEC as a first tentative step toward their own trade bloc. Their purpose was to counter the formation of European and American blocs--the European Community's moves towards an economic union and the US-dominated North American Free Trade Agreement (NAFTA).

Not wanting to openly challenge the US, Japan used the former Australian Labor government as a stalking horse for its plans. The then prime minister, Bob Hawke, called for the formation of APEC during a visit to South Korea after meeting with Japanese officials in Tokyo. The Bush administration responded by insisting that the US have a place at the APEC table, together with Canada. Later, Washington added Mexico and Chile to its list. Three new members joined at the Kuala Lumpur summit--Russia, Peru and Vietnam.

Essentially the US-Japan standoff has continued within this increasingly unwieldy body. Neither power has so far been prepared to risk an open breach and the rapid descent into trade war. Caught in the middle, successive Australian governments have sought to boost APEC in an effort to prevent a direct confrontation between the two Pacific super-powers. Such a conflict would be disastrous for Australian capitalism, which is economically dependent on Japan and Asia, but remains militarily and economically tied to the US and its markets.

At present, the 21 members of APEC are Japan, the US, Australia, New Zealand, Canada, Mexico, Chile, Singapore, Malaysia, Indonesia, Brunei, Hong Kong, the Philippines, China, Taiwan, Thailand, South Korea, Papua New Guinea, Russia, Peru and Vietnam.

The 1999 summit is scheduled to be held in New Zealand, one of APEC's smallest and most remote members. But the question being asked in the financial media is whether APEC will survive at all. In the words of one commentator, the only issue is whether APEC "staggers on or dies a lingering death".

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