

A glimpse of US-Japan economic tensions

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9 September 2000

Every so often an incident takes place which exposes some of the real conflicts taking place behind the scenes in the world of international finance. One such event was a seminar held in Canberra last Monday and reported the following day in the *Australian Financial Review*.

According to the *AFR*'s account, Japan's former top international finance official Eisuke Sakakibara, the one-time vice-minister for finance known as "Mr Yen", "started by accusing the United States of exploiting Asia's financial crisis to unseat governments that were not to its liking."

"The US has this mentality of using the crisis," he said. "Trying to use or even create a crisis to change a country's political regime is intervention—unlawful intervention."

"When I say these things to my Western counterparts, they say, 'Well, isn't it good that a corrupt government collapsed?'"

Sakakibara claimed that the terms of the International Monetary Fund support package for Indonesia were aimed at bringing intolerable pressure to bear on the Suharto regime. "I tried, Japan tried, to modify the policy, but against the coalition of the US, the IMF and Germany I was powerless," he said.

Japanese corporations had developed close ties with the Suharto regime and Japan sought to provide assistance when the Asian crisis struck. But the US demanded that the system of so-called "crony capitalism," based on close ties between the government, banks and particular corporations, be dismantled.

It was not only in Indonesia where Japanese and US interests collided. The response of the IMF to the Asian crisis was largely dictated by an agenda drawn up by Washington and Wall Street to end the so-called "Asian model" of capitalist development, based on close collaboration between the banks and major

corporations, and replace it with a more open financial market.

The purpose of this program was to strengthen the position of US corporations and financial firms and open up new areas previously closed off.

Japan, which had been the largest beneficiary of the previous system, sought to defend it when the Asian crisis struck in July-August 1997 and proposed a \$100 billion Asian Monetary Fund in order that afflicted countries did not have to come under the discipline of the IMF. But the US and other major powers, including Britain and Germany vetoed the proposal.

Faced with the prospect of an open breach with the US if it proceeded, the Japanese government backed down. But the proposal for an Asian Monetary Fund, and closer co-operation between Asian economic powers has not been shelved and may start winning greater support—possibly from seeming unlikely quarters.

In his address to the Canberra seminar, the deputy governor of the Reserve Bank of Australia, Stephen Grenville, said Australia should actively seek membership of the Association of South East Asian Nations (ASEAN) plus three financial group. The grouping, which comprises the 10 ASEAN countries plus Korea, Japan and China, has been set up to strengthen financial ties between countries in the region.

Grenville indicated it was necessary to enhance regional financial co-operation in the aftermath of the Asian crisis. Co-operative arrangements were crucial to ensure that an amplified regional voice was heard in global financial discussions.

This would help counter the "danger" the US would promote the interests of countries of greatest concern, in Latin America, while Europe would look to its Eastern European neighbours, leaving the Asian countries without a big-country champion.

Significantly, Grenville pointed to a shift in Australia's position on the proposal for an Asian Monetary Fund. Australia backed the US when the fund proposal was floated in 1997, but Grenville said it should now keep an open mind about the proposition.



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