

Tepco “Compensation” for Fukushima Nuclear Crisis is a Political Fraud

By [Yoichi Shimatsu](#)

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The just-approved compensation deal between the Tokyo Electric Power Company (Tepco) and the Japanese government is being rushed out before the May 30 evacuation order for residents in radiation-threatened areas of Fukushima. The more important deadline for both sides falls on May 20, when Tepco must issue its annual report to shareholders. The deal is more of a bailout for Tepco than its pretense of being a relief package for evacuees.

Tepco is being given 30 years to pay back the government for this bailout with borrowed money. The “compensation” package doesn’t cover medical benefits for radiation-caused cancers that are not expected to surface in victims for at least two years from now. The government is going along with this publicity stunt, mainly because most politicians owe Tepco under the reigning system of money politics.

The plan is a fraud from its inception. To settle compensation claims for the nuclear disaster, the official plan is to issue bonds backed not by the financial markets or banks but by printing new money. The 5 trillion yen (\$62 billion) rescue scheme is sure to put the debt-ridden nation into deeper fiscal risk, since Tepco is unlikely to make full repayment.

Cry Poverty

Confronted with the fallout from its Fukushima 1 nuclear plant, Tepco’s strategy has been to claim a net loss in 2010 of more than 700 billion yen (\$84 billion). The loss should be puzzling because Tepco charges one of the world’s highest retail rates for electricity, far more than other regional utility companies, and controls 44 percent of Japan’s energy market.

The power company has not reinvested heavily in new equipment or upgrades, as the Japanese public was shocked to discover with the absence of maintenance robots inside the damaged Fukushima plant. Even more shocking is the disclosure that Tepco was not carrying any casualty insurance. Around the world, most nuclear operators go uninsured due to the high cost of coverage following the meltdowns at Chernobyl and Three Mile Island. Nuclear is probably the only industry that can get away without risk coverage, due to its cozy connections with politicians, bureaucrats and military forces.

Maximizing one’s debt makes financial sense for large Japanese corporations for purposes of tax evasion. By arranging permanent indebtedness, Tepco does not pay corporate taxes on profits, while its customers bear the tariff on electricity rates.

Profits From Debt

Borrowing beyond any legitimate limit is standard practice for transnational corporations. Money is available to large corporate entities practically for free due to the Bank of Japan's near-zero interest rates. Abetted by a stronger yen, these funds are invested overseas in both direct investments and into money markets. Tepco has a 10-year plan to invest 1 trillion yen offshore before 2020, and the actual investment could well be much larger.

So where did all of Tepco's hidden profits go? From what can be gathered from its less-than-transparent financial records, Tepco management routinely issued bonds to finance massive investments in uranium mines in Canada and Australia. Its Canadian affiliate Tepco Resources owns a 5 percent share in Cigar Lake in Saskatchewan, one of world's largest uranium mines in a consortium with CAMECO, France's COGIMA and Idemitsu Kosan. Tepco's Perth-based office has a web of holdings in Australian uranium projects, including the gigantic Ranger open-pit mine run by Rio Tinto in the environmentally and culturally sensitive Kakadu region.

Tepco has quietly strategized to build nuclear power plants abroad by taking shares in a utility firm in Thailand and opening an office in China. A veil of secrecy surrounds these foreign nuclear projects, with its technology partners Toshiba and Hitachi, which planning to more than 30 plants each at undisclosed sites.

Hidden Connections

Its long-term business relationship with Toshiba and Hitachi are hidden in Japan's opaque system of cross-holdings of shares between related companies. Mutual share holdings are a risk strategy, as recently indicated by a sharp reversal in its decline in its stock price. A steep fall in Tepco share prices to 40 percent from the peak along with a ratings downgrade from Wall Street should have led to the financial collapse of Tepco. Instead, its share prices began to soar despite the deepening crisis at Fukushima.

The Black Hole

The price-keeping operation, or PKO as it's called in Tokyo, was probably aided by an injection from a hedge fund run by Tepco's New York or London offices. These secret overseas funds are difficult to track down since funds can be routed through any of Tepco's 258 affiliated companies.

The exportation of borrowed money is surefire guarantee of the export of Japanese-style corruption. Mining ventures in Canada and Australia are synonymous with speculation, ramping up of share prices and bribes-for-licenses schemes. Since farmers and local residents obviously do not want a uranium mine in their backyards, bribery to local politicians must be rampant though well-disguised.

Japanese journalists and Diet members have described to me how Tepco controls politicians and bureaucrats. Since corporate donations to political parties must be reported, funds are channeled through the executives of the company or its many affiliates. The Liberal Democratic Party (LDP), the main sponsor of the nuclear industry during its four-decade tenure, receives the lion's share of bribes. The 35,000-member company union, which has never organized a picket line for workers' rights, is a donation-distribution network to the ruling Democratic Party and the opposition Clean Government Party and even the leftwing Social Democrats.

Dentsu, Asia's largest advertising company, is another agent of influence on public opinion. The corruption of publishers, news producers and senior editors is done through lucrative television commercials and special supplements inside newspapers. Recently, several newspaper editors have been threatened - and some demoted - due to their honest coverage of the Fukushima disaster.

Organized Crime

The threats against crusading editors are real due to Tepco's long-standing ties with the yakuza, which recruits homeless men and alcoholic derelicts for short-term and uninsured jobs as "jumpers", who do the clean-up duty inside nuclear reactors. After becoming irradiated, these unfortunates are driven back into squalid urban ghettos with a fistful of cash for their next bottle of cheap alcohol or a syringe of heroin. That's labor relations, Tepco-style, which the in-house union has failed to protest.

Despite weeks of deliberation, the details of the compensation package are still unclear as to how the fund will be allocated for relocation costs, property losses and medical care for residents versus reimbursement to government agencies and institutions involved in the nuclear disaster relief. Chances are that much of the money, to be handed over to construction companies to build temporary housing for evacuees, will find its way back into the pockets of politicians and bureaucrats.

Beasts of Burden

One thing is certain: The burden for Tepco's malfeasance will fall on taxpayers and consumers. Despite official claims that the bailout will not trigger higher taxes or electricity prices, Tepco has already raised household power rates in May, stealthily by lower discounts for households, and the government is preparing to raise the consumer sales tax to 8 percent from the current 3.5 percent. Insiders are predicting a 16 percent electricity rate hike spread over the next decade.

The only really effective solution that the paid-off politicians are avoiding is the break-up of Tepco. Its hydropower units need to be reorganized as a basic utility company. The nuclear division should be converted into a bad-debt company in charge of decommissioning all three nuclear plants not just Fukushima 1. A public trusteeship has to take over its offshore holdings in uranium mines and hedge funds on behalf of a genuine compensation fund for victims. State prosecutors must begin a sweeping investigation into the web of corruption, with all recipients of unreported donations required to hand over the ill-gotten funds with interest - or the equivalent in property - to the victims' trusteeship. The list of all recipients should be available to the public, and the worst offenders banned from government jobs and elected office.

As radioactive fallout spreads across the Tohoku and Kanto regions, the Japanese public has a stark choice: protect nuclear power or save democracy. Over two decades of economic decline, attempts at superficial reform have failed miserably. A democratic revolution - broader and deeper than the Meiji upheaval of 1868 - must be initiated at whatever the cost or Japan faces destruction as a nation of radiation victims or hibakusha. The decision confronts us here and now: die or fight.

Yoichi Shimatsu is a Hong Kong-based journalist and Editor-at-large at The 4th Media.

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