

Japan And West Germany

Coordinate Financial Strategy

According to high-level Japanese banking sources in Europe, Japan and West Germany have reached "a secret accord on joint coordination of monetary policy" both to counter Britain's push for protectionism against Japan in the European Economic Community and to force the United States to adopt a strong dollar policy.

The emerging Japan-West Germany "axis" was apparent in the Fukuda government's decision to appoint one of Japan's top Foreign Ministry officials to become Tokyo's ambassador to Bonn. The new ambassador Yoshino clarified Japan's support of the Schmidt government in a recent speech, where he praised the Schmidt government's economic policies and stressed that Germany should play a worldwide economic role.

The Japanese View

A well informed Japanese source in the United States has detailed to this news service how Japan has proceeded with its policy of aligning with Germany. The key point of the "axis" is, in the Japanese view, to use Japan and West Germany's overriding concern with a stable dollar as the basis for closer cooperation. According to the source, the Japanese government in the beginning of January decided to use the ongoing trade negotiations with U.S. Special Trade Representative Robert Strauss as a forum for demanding a U.S. commitment to a stable dollar as a "quid pro quo" for any Japanese agreement to trade and tariff concessions.

Initially, some groups in Tokyo balked at this policy, fearing that it would only anger the Americans further, until they understood that both West Germany and Saudi Arabia, as well as France, already had made such demands.

The next step was from Tokyo to Bonn. Japan's Vice-Minister of Finance Matsukawa visited Bonn several weeks after the Japanese-U.S. talks, and succeeded in establishing tighter coordination with Bonn on currency and trade matters. Underlying these agreements was an understanding by both countries that Great Britain was the major obstacle to any viable world economy. The British had already shown their hatred of Japan in a series of meetings between Japan's External Economic Affairs Minister Ushiba and British Foreign Secretary Owen and British finance minister Denis Healey in late January.

At that time, Ushiba was informed that London

believed "Japan's surplus is today jeopardizing the world's open trade system." The Japanese were also shocked by the British failure to even listen to the vice-minister of Japan's powerful Ministry of International Trade and Industry, Masuda, who also went to Britain to explain Japan's economic policies.

As a result of Matsukawa's meetings in Europe, the Germans are now leading the moves in the EEC to block British protectionist ploys against Japan. Knowing this, Tokyo is now taking a very firm line against any EEC protectionist threats.

The Business Side

In tandem with Japan and Germany's diplomatic overtures, private Japanese-German business cooperation has also dramatically escalated. The major go-betweens have been the Swiss, especially Swiss National Bank head Leutwiller who recently visited Tokyo. This news service has learned that, in conversations between Leutwiller and former Bank of Japan head Sasaki in Tokyo, the Swiss banker told Japan that "there is enthusiasm in Europe for a move of the foreign exchange market (Asia dollar market) from Singapore to Tokyo," and then outlined European thinking on creating a rival market to London's Eurodollar center. Japanese business circles were very favorably impressed by Leutwiller especially since at the time Masud was being told to drop dead by London.

Fukuda to Bonn

The Japanese have now made it known that when Japan's prime minister Fukuda goes to Bonn for the scheduled July meeting of the heads of state he intends to hold a private meeting with West German Chancellor Schmidt. Schmidt personally very much admires the Japanese and, when he was finance minister, Schmidt made overtures to Japan's Ministry of Finance to have it train West German finance ministry officials! Fukuda also personally backs the Japan-West German axis. Both Fukuda and new ambassador Yoshino have some knowledge of Germany since both were government officials in Berlin in the late 1930s and early 1940s.

—K. Coogan