

Japan Nods To U.S. But Organizes With Europe For Gold System

Japan has revealed its true reaction to talks with U.S. Trade Negotiator Robert Strauss last month by joining in intense European efforts to create a new gold-based monetary system and not by signing the U.S.-drafted trade agreements. As a first step, the Japanese are moving to substitute Tokyo for the British crown colonies of Singapore and Hong Kong as the center of the Asian dollar market.

Also, last week the Bank of Japan raised its limits on the amount of gold individuals can hold to \$12,000, and rumors abound in Tokyo that the Bank, perhaps through private bank accounts, is increasingly buying gold. Japanese officials have repeatedly denied these rumors because, as one Japanese banker has explained, "the Bank does not like to reveal its intentions."

Japan is coordinating its efforts with those Europeans who are setting up the Luxembourg gold market as an alternative to the London Eurodollar mess. Swiss central bank head Leutwiler, one of the key supporters of the Luxembourg proposal, requested Japan's cooperation on gold during his visit three weeks ago, according to Swiss sources. It is also reported that Jacques Rueff, a leading Gaullist gold advocate, is now an unofficial advisor to the Bank of Japan, while Trade Minister Toshio Komoto — who is trying to replace Takeo Fukuda as Premier of Japan — is taking a progold approach.

Leutwiler mooted in an interview with the Japan

Economic Journal *Nikkei* the possibility of Tokyo replacing Singapore and Hong Kong as the center of the Asian dollar market. *Nikkei* quoted Japanese officials suggesting the same possibility, as did the German industrialist newspaper *Handelsblatt*.

While Japanese bankers are pushing such a policy, they report that the Finance Ministry, the strongest base of resistance to these efforts in Japan, is refusing to allow the elimination of taxes on international interest payments which would make the shift possible. Since the Strauss talks, however, the Finance Ministry is reportedly more flexible.

As a counterweight to the Japanese-European moves, protectionist hysteria is being revved up. EEC Commission head Roy Jenkins will demand from visiting Japan External Economic Affairs Minister Nogohiko Ushiba that Europe be given trade concessions similar to those supposedly given to the U.S. So far, the prodevelopment Europeans are not falling for the trap. When Ushiba spoke to the German business federation DIHT, German industrialists supported joint German-Japan opposition to reflation demands. No coincidentally, DIHT head Otto Wolf Von Amerongen is linked to kidnapped industrialist Baron Edouard-Jean Empain, who is closely associated with the Luxembourg gold deal. Empain is, in turn, closely linked to Japan's Fuji bank, whose head is a leader of Japan's prodevelopment forces.