

Italy has strongly supported from its inception — this past week announced that it was creating a new currency. “Our money is political money,” announced President Neto, “and we are not willing to sacrifice it to worldwide imperialism.” Only a sharply limited amount of the old currency, the escudo, will be allowed to

be traded in for the new currency.

In response to the holders of escudos who fled the country with their arms filled with the now-worthless paper, the Angolan Finance Minister has aptly responded: “I suggest you put the (worthless escudos) in capitalist museums.”

Schmidt, Callaghan Meet to Hammer Out Joint Development Strategy

West German Chancellor Helmut Schmidt and British Prime Minister James Callaghan met for talks on Sunday, Jan. 23 which were the latest in a series of meetings between Schmidt, Callaghan, and Italian Prime Minister Giulio Andreotti designed to work out a united Western European front for development and trade independent of the bankrupt U.S. dollar. In keeping with the Italian-West German coordination for industrial growth previously worked out between Schmidt and Andreotti, the talks established, “the broadest coordination of foreign and economic policy of both countries, with respect to the upcoming summits, according to the Jan. 24 daily *Sueddeutsche Zeitung*.”

In a joint television interview after the talks, Callaghan and Schmidt ruthlessly initiated this coordination by attacking the Committee on the Present Danger line of President Jimmy Carter’s advisors which insists that the Soviet Union’s military strength shows it has abandoned détente. Both spokesmen agreed, “We have nothing to fear from the Soviet Union’s military

strength....We are agreed that Moscow is following a policy of détente.” Callaghan ridiculed “the people who get into a bit of a panic about this” while Schmidt supported him saying, “at the present time one must not listen too much to people who overstress the need for defense efforts.” Schmidt further emphasized the Western European determination to reach agreement with the Soviet Union, regardless of Carter’s White House if necessary, by stressing that although it was important that Carter and Soviet party chief Leonid Brezhnev “get along together and negotiate a SALT agreement,...we Europeans have to reach a compromise on the limitations of conventional weapons in Europe.”

Schmidt was not as specific on the question of industrial development for Britain and West Germany. The *Sueddeutsche Zeitung* reported that unnamed British government sources complained that Schmidt “was afraid to make a decision” and discuss European moves away from the dollar, even though West Germany is an economic powerhouse.

French Prime Minister Calls For Euro-Currency Backed By Gold

U.S. Vice President Walter Mondale’s arrival in Western Europe this week coincided with the launching of a concerted campaign in favor of a single European currency by those European forces most committed to global industrial growth. While the creation of a single unity of account has been a longstanding project in Western Europe, its great significance now derives from the fact that it is meant to be pledged on gold; it would thus involve a break with the U.S. dollar and the first phase of a new international monetary system.

While the Italian forces backing the Andreotti government have been advancing that proposal for some time, it was endorsed last week by French Prime Minister Raymond Barre — the first West European governmental leader to do so publicly. Mr. Barre, who is known to espouse Gaullist views on monetary matters, had recently asserted that gold represents a “living international monetary asset.” He followed this statement by an interview he gave to the newspaper of

the Italian industrialists’ association *Il Sole 24 Ore* on Jan. 26, in which he declared: “(The European Economic Community) must characteristically resemble a national market clear of customs or fiscal obstacles, and further offer that irreplaceable element of support which is constituted by a common currency or at least currencies connected by stable exchange relations and managed in a concerted manner. But his monetary union is valid only if supported by a common economic policy.”

On the same day, *Il Popolo*, the newspaper of the Italian Christian Democracy, laid out the following program for Europe: “A single European currency is perhaps the only condition whereby the recurrent international monetary crisis would cease, and it would establish stable commercial relations without the dangers of returning to more or less veiled protectionism....This will facilitate dialogue with Third World countries and a long-term accord with the oil-producing

countries. A single European currency will be the true fundamental condition for Europe to speak with a single voice."

A similar theme was also discussed at the Franco-Egyptian monetary colloquium which took place in Cairo Jan. 14-17 (see Mideast Report). Jacques Riboud, a former oil expert connected to a French think-tank on monetary matters, the Centre Jouffroy, and one of the colloquium's sponsors, proposed the creation of a "Eurostable." Such a monetary instrument, he explained would serve both as a unity of account and a means of settlement for international transactions on the

Euromarket — a proposal which he deemed as acceptable to the Arab nations' interest.

These announcements on the part of Western European forces have been timed with the release of a report in this month's *IPW*, the East German theoretical journal on politics and economics, that a major symposium on the issue of gold took place in Budapest in October, attended by economists both from the Comecon and from Western European think-tanks. *IPW* reports that the conference discussed at length the "gradual emergence of a second — West European — center of capitalist currency system."

Mondale Tour of Europe A "Major Blunder"

Vice President Walter Mondale's present tour of West European capitals is turning into an international embarrassment for the new administration of James Carter, and has been characterized by one well-placed source close to the White House as a "a major blunder." In Brussels, Bonn and now in Rome, the Vice President has come face to face with European leaders more committed than ever to independent unity from the U.S., detente with the Soviet Union and growth-oriented trade with other continents.

Most embarrassing for Washington's emissary was his two-day stay in West Germany, where all the traditional demonstrations of the Federal Republic's role as America's closest ally were markedly absent. Mondale's four-hour discussion with Chancellor Schmidt and national media coverage of the visit focused entirely on the present conflict between Bonn and Washington over two key strategic issues: Carter has demanded Bonn apply monetary stimulation to its economy and Bonn is refusing; Carter has asked that a \$4 billion export treaty of fission nuclear power plants to Brazil be cancelled, which the West Germans have so far refused to do.

All reports indicate that Mondale made no headway in reversing Bonn's stand on these two issues. While the Italian daily *Il Giorno* predicted that the fight over the Brazil treaty could "put the nail in the coffin" of U.S.—West Germany relations an unprecedented array of West German newspapers announced that the country is seeking a new identity in Western Europe and will not tolerate a bullying posture from the United States. On January 23, the *New York Times* reported an interview with Chancellor Helmut Schmidt, which set the tone for his talks with Mondale. "Any American economists," the Chancellor stated, "who argue that the solution to our economic problems here is reflation should go back and study the problems of Europe...Until then, they'd please better shut their mouths."

The right-wing daily *Die Welt* greeted Mondale the same day by noting that Carter speaks of creating a "new partnership" with the Western allies, "but the Carter

program has already been written by the Trilateral Commission founded by David Rockefeller." The same journal warned, "The U.S. demand to stimulate the world economy is not in the interest of Europe and the Third World." This theme was strongly echoed by the commercial daily *Handelsblatt*, which called for a cleaning out of all remaining support for hyperinflation, since "if Carter uses (such support) he will destroy European unity."

The Brazil deal, in particular, has been employed by Chancellor Schmidt to rally a loose de facto, coalition between his own trade union and social democratic voting base and traditionally staunch pro-American conservatives. The basis for this coalition, whose interests coincide with stronger Europeanist factions in Italy and Britain, is a minimum program of promoting economic growth and exports by generating technological breakthroughs in a fission-energy sector. The *Bild Zeitung*, the most anti-communist boulevard daily in the West German press corps, stated this week, "In all modesty and friendliness, we must make our American friends get used to the fact that we have grown up and are competitive. Threats will come to nothing."

Mondale was also rebuffed in Brussels, where he met with Roy Jenkins, commissioner of the European Economic Community. In response to Mondale's complaints over the Europeans' nuclear energy policies, Mr. Jenkins detailed to the Vice President Europe's commitment to reduce its dependency on petroleum imports in the coming years and expand its nuclear generating capacities.

On January 26, Mondale arrived in Rome, where his reception has been prepared by *Il Popolo*, official organ of the governing Christian Democracy, with clean assertions of Italy's role as Western Europe's political leader. Mondale's trip "constitutes an appropriate occasion," *Il Popolo* stated, "for us to confirm the clarity and firmness of our international policy. And it is urgent for us to emphasize the unequivocal faithfulness of Italy to the values of liberty, democracy and civilization which constitutes our common heritage."