EEC Commission Demands Austerity

Britain's Jenkins wants to make an example of Italy

The European Economic Community Commission is currently a major center for City of London diplomatic operations aimed at preventing implementation of the historic West German-Soviet economic cooperation treaty signed by Chancellor Schmidt and Soviet President Brezhnev in early May.

EEC

Under the direction of Britain's Roy Jenkins, the EEC Commission chairman, Commission members are fanning out over Europe to: 1) immediately implement a cut-throat austerity program in Italy; 2) convince Chancellor Schmidt that such austerity, combined with "coordinated reflation" in Europe's "surplus economies," is the only way to create "currency stability" in face of U.S. dollar instability; 3) sabotage progress in negotiations between the EEC and the Soviet bloc's Comecon for a "framework" accord on economic cooperation; and 4) push through an EEC-wide energy conservation program for presentation to President Carter at the July economic summit of heads of state.

To get this austerity crackdown on Europe underway, Jenkins has revived his longstanding proposal for the creation of an independent "European Monetary Union" (EMU). While widely billed (see extract from *The Economist*) as an innocent institution which is not anti-dollar, in fact, the chief purpose of pushing the EMU at this time is to ram austerity through in Europe, justified as a precondition for "European independence" from the weak dollar (see extract from the *Financial Times*).

British-controlled diplomatic and banking networks have been activated to put out the line that the EMU has nothing to do with the dollar, to obscure the EMU's "Trojan horse" purpose. Last week, U.S. Undersecretary of State Richard Cooper issued a statement that the "U.S. is basically sympathetic" to the idea as part of this operation.

Meanwhile, Fritz Leutwiler, chairman of the Swiss National Bank and highly influential in Europe, has been acting as a British-controlled spokesman for this argument for some two weeks now. On May 28, at an international bankers meeting in Mexico City, Leutwiler contributed an especially atrocious proposal to eliminate the dollar in European central bank operations on the foreign exchange markets — that is, eliminate the dollar's major reserve currency role. In the dollar's place, European currencies should be used, he proposed.

Italy Gets Ball Rolling

EEC Commission representative François Xavier Ortoli has handled the Italian side of this operation, which is aimed at rapidly turning Italy into an example to be followed for the rest of Europe.

In the midst of the national crisis provoked by the kidnapping of former president Aldo Moro, Ortoli arrived in Italy with International Monetary Fund (IMF) official Alan Whittome to renew negotiations for an IMF letter of intent for a loan of $1.5 billion. Ortoli, in addition, offered Prime Minister Andreotti an additional EEC loan of $1 billion.

Andreotti, according to Italian press accounts, has now accepted the letter of intent conditions, which include utility price hikes, wage freezes, a 5 percent budget cutback, and reductions of pension payments. The British-controlled, corporatist wing of the Italian Communist Party (PCI) has, since announcement of the agreement, significantly escalated its public calls for drastic depopulation of Italy's industrial north, in favor of labor-intensive job creation in the agricultural south.

Schmidt is the Target

In a private interview, an official of a European bank in New York asserted that Italy finally accepted the terms of the letter of intent, which had been under negotiation for months, under warnings inspired by former U.S. Secretary of State Henry Kissinger that a U.S.-Soviet political showdown over Africa could cause "major economic dislocations" at any time.

However, the real target of the EEC-IMF negotiations in Italy is West German Chancellor Schmidt. According to a report in the London *Economist* May 27, the EEC has formed a highly secretive committee of three representatives, including West German Chancellory official Horst Schulman, French Central Bank governor Bernard Clappier, and British treasury official Ken Couzens, to draft a proposal for formation of an EEC "currency zone" independent of the U.S. dollar.

The Economist goes so far as to claim that "the Carter Administration has discreetly informed the (EEC's) governments that it strongly supports Mr. Helmut Schmidt's plan for a new EEC currency zone."

In fact, what is involved here is an effort to take advantage of Schmidt's disgruntlement with U.S. policies of "malign neglect" of dollar parities with other currencies, to convince the Chancellor to oversee a European-wide crisis management austerity program. On May 25, the *Financial Times* revealed that British Chancellor of the Exchequer Denis Healey had suddenly "reversed" his opposition to strengthening of Europe's West German-dominated "currency snake" of six nations, in order to persuade the West Germans to turn the snake into a "mini-International Monetary Fund."

The mechanics of such an agreement as outlined by the *Financial Times* would revolve around creation of a joint pool of currency reserves to aid in "financing imbalances" in payments. The existence of such a gift-giving fund under West German domination would permit the West Germans to "impose discipline within a group which strives to maintain stable monetary relations."

This is the exact policy announced by U.S. Treasury

Secretary Michael Blumenthal May 27 before the international bankers conference in Mexico City. Commenting on British agent-of-influence Blumenthal's speech, a U.S. State Department official close to Kissinger emphasized May 27 that the goal of this policy is to insinuate IMF officials into government policy formulation, and enforce "economic discipline in West Germany, Switzerland," and other advanced countries.

Andreotti's capitulation to the IMF letter of intent now permits IMF and EEC officials to approach Schmidt with the argument: the Italians are imposing discipline, in return it is now your responsibility to increase your budget deficit and reflate.

Attack on West German-Soviet Accord

Meanwhile, EEC official Haferkamp has just concluded pre-scheduled "exploratory" discussions with Soviet bloc officials on a "framework" accord to regulate economic "bloc-to-bloc" relations.

West Germany's *Die Welt* reported May 31 that the talks ended with no result. It is clear from *Die Welt's* coverage, that Haferkamp went to Moscow to undermine Soviet leader Brezhnev's offer—announced during his early May state visit to Bonn—to quickly resolve problems with East-West European relations on the basis of a mutual recognition of the integrity of both economic associations.

Clearly taking the historic 25-year trade treaty which Brezhnev signed with Schmidt as their starting point, Soviet officials proposed that the EEC-Comecon accord be passed as a "broad, umbrella agreement" specifically stating that individual nations have the right to elaborate this framework with bilateral treaties. Haferkamp responded by accusing the Soviets of attempting to undermine the EEC by attempting to work out deals with single countries on issues "covered by EEC authority."

Indeed, Haferkamp's argument is actually an attack on the Schmidt-Brezhnev treaty, which the British correctly understand as a major threat to their ability to manipulate Europe through the EEC Commission.

In addition, on May 31 EEC Commissioners had a long fight over a proposed energy policy bill drawn up by zero-growth proponent Ivar Noergaard, Danish chairman of the Energy Ministers Committee. The Noergaard plan, if implemented, would legislate cutbacks in European refinery capacity, subsidies for coal for power stations (an attack on nuclear energy funding), funding for conservation demonstration projects, and for "alternative energy" research like inefficient, labor-intensive solar power. The only purpose behind such a program is to blunt political pressure for high-technology nuclear energy development.

In motivating passage of the plan, which hit up against considerable resistance, West German commissioner Guido Brunner explained that it is to be used also to motivate zero-growthism internationally. "This is a real disaster that there is no agreement," Brunner told the meeting, according to the West German press. "This will be taken by the U.S. as an excuse for not passing their own energy package," a reference to Energy Secretary Schlesinger's infamous energy program, which has stalled in Congress because of its overt attack on nuclear development.

—Renee Sigerson

London Press Pushes "Mini-IMF"

Excerpted here is an article which appeared in the London Economist, *May 27:*

The Carter administration has discreetly informed the Nine's governments that it strongly supports Mr. Helmut Schmidt's plan for a new EEC currency zone. . . . Thanks to pressure from America, Britain's Mr. Denis Healey has now changed his tune on currencies. He had originally been skeptical of the Schmidt initiative, arguing that it would be seen as anti-American and would do nothing to solve the dollar problem. But when EEC finance ministers met in Brussels on May 22, he sounded almost enthusiastic about the new currency zone, and told the Germans off for being slow over the details of how the Schmidt plan would work. . . . the prospects for an overall EEC recovery plan are improving. On Monday in Brussels the EEC finance commissioner, Mr. François-Xavier Ortoli, presented yet another paper on prospects for "concerted reflation." He listed the nine countries in order of reflation potential. Germany came top, followed by Belgium, Holland, Luxembourg, France, Britain, Denmark, Ireland and Italy.

The following excerpts are from an article titled "Brush up on your study of snakes" that the London Financial Times *ran on May 25:*

A snake defines a zone in which German trade is much less disturbed by exchange rate uncertainties than in the world at large; what is perhaps more important, it is an area in which German profit margins are relatively predictable. . . . The Germans therefore may be pressing their proposals with some urgency again—especially if, as now seems strongly likely, the Bonn summit produces nothing concrete. Europe may by then be drifting into the form of Community protectionism known to the French as "orderly free trade" and to others as ganging up on the Japanese. A currency stabilization scheme would then be seen not simply as a matter of market management, but as a necessary step to preserve liberal trading conditions inside the Community and its main trading zone. . . .

. . . Britain might share the German interest in snakes as a means of recycling surpluses. . . . In this respect a snake arrangement, whatever its technicalities, can be seen as a kind of mini-IMF, financing imbalances and possibly imposing discipline within a group which strives to maintain stable monetary relations—a second best to the Prime Minister's preferred strategy of general reform, with a refurbished SDR playing the international role of the dollar.