

1. What's next on the agenda

The announcement of official endorsement by six European heads of state for membership in the European Monetary System (EMS) launches a new era in international monetary affairs. "A new epoch of prosperity," the description offered by French President Giscard d'Estaing on national television Dec. 6, is about to begin, and its effects will be felt throughout the world.

The EMS will begin implementation first through a series of dramatic "innovations" in monetary relations. Important among these steps will be 1) an increased role for government-held gold reserves as a medium for stabilizing monetary relations, and 2) EMS intervention on foreign currency markets through a huge, \$70 billion central intervention apparatus, which is specifically aimed not only at maintaining stability in internal European monetary transactions, but more importantly, in effectively propping up the U.S. dollar.

These innovations will pave the way during 1979 for the issuance by the European Monetary Fund (EMF), the EMS "central bank," of multibillion dollar development loans to especially Third World borrowers. To encourage the Fund's effective implementa-

tion at an early date, Giscard has launched a French diplomatic offensive into West Africa, which, French diplomats have pointed out, will include high profile tours by French officials in "former British colonies."

British wreckers

In sum, the EMS program is a foundation, created by Giscard and West German Chancellor Schmidt, for a new, world monetary system.

Leading British circles — which means not only the City of London, but in addition, the British monarchy, British think-tanks, and the many-faceted tendrils of British intelligence operations worldwide — have accurately understood that revamping the Bretton Woods international monetary system — set up under Britain's tutelage by Lord Keynes — is the purpose of the EMS. For that reason, they have been frantically committed to wrecking, delaying, or subverting the scheme since its announcement on July 8 of this year. On Dec. 5, the British not only voted against the EMS program, but armtwisted Italian Prime Minister Giulio Andreotti and Irish Prime Minister Jack Lynch into forming a block of "poor countries" of Europe in opposition to the plan.

Giscard on those who stayed out

On Dec. 6, following the conclusion of the Brussels summit, Agence France Presse issued the following dispatch on French President Giscard d'Estaing's press conference on the evening of Dec. 5:

Despite the absence of Great Britain, Italy and Ireland, President Giscard d'Estaing said he thought the agreement reached in Brussels was the beginning of a truly European monetary system. Following 31 hours of discussion, the French President expressed the wish that the three member countries which did not yet wish to join the European Monetary System acknowledge the efforts made and the advantages for all of the broadest possible zone of monetary stability in Europe.

The French President indicated

that Great Britain will not take part in the monetary system as far as intervention mechanisms are concerned, but that the pound sterling will continue to contribute to the basket of European currencies, with a frozen value Regarding Italy and Ireland Giscard d'Estaing stated that these countries should give a definite reply, in the case of Italy within eight days and for Ireland within 15 days ... (He) also evoked the case of Norway and other European countries who could themselves also join the EMS

European leaders who met in Brussels yesterday also discussed the transfer of funds to the less prosperous members of the Community, notably Italy and Ireland. On this subject, Mr. Giscard d'Estaing said, "It is inadmissible

that the economic equilibrium of the community be threatened by the exaggerated demands of certain of their partners. If one wants the Common Market to be endowed with a new monetary system, one must think more of the economic and political advantages one may eventually gain than be clouded by selfish financial interests.

A question of political will

The following are excerpts of an editorial by Serge Maffert titled "Political Will," published in Le Figaro Dec. 4, that is, before the conclusion of the Brussels summit:

The construction of Europe is accomplishing, in the beginning of this week, a stage of exceptional importance. The monetary Europe which France has been asking for since 1969 will finally see the light of day.

The blackmailing of Andreotti cast a shadow over the Brussels summit. Nevertheless, British Prime Minister Callaghan's post-summit comment that, "it was a bold effort" that failed, and accompanying British press cries that Brussels was a "setback" for the EMS, are gross exaggerations.

Andreotti may still reverse his negative decision. More importantly, Schmidt and Giscard have frequently underlined their commitment to bringing Spain, Portugal and Greece — NATO's "southern tier" countries also subject to extensive British destabilization scenarios — into both the EEC and EMS at the earliest possible date.

At the same time, the ability of EMS networks to clean out British financial and political networks will largely depend on the outcome of the next immediate phase of political organizing in behalf of the EMS: a diplomatic drive to bring the U.S. and Japan into collaboration with, or even "associate membership" in, the system.

U.S. monetary debates

Leading U.S. circles have been strongly influenced until now by British distortions of the EMS, for instance the claim that the EMS constitutes a threat to the U.S. dollar. In what may represent a major shift in official U.S. attitudes toward the system, on Dec. 6, the State Department and Treasury issued a press release which stated that "the new arrangements will

be implemented in a way which will contribute to substantial growth in the world economy and a stable monetary system. . . . The U.S. looks forward to continued close cooperation with its European trading partners as these arrangements evolve."

Simultaneously, observers are carefully monitoring U.S. business and official reactions to Europe's decision to effectively remonetize gold. In early November, Thomas Wolf, a former U.S. Treasury official under President Nixon, delivered a speech in which he pointed out that the effect of EMS gold remonetization will be to set a new world price for gold, most likely in the \$200 range.

In the coming weeks, France and Germany will announce a joint decision on what the official gold price will be in the EMS. Presently, the disparity in Europe on official gold pricing ranges between the "established" price of \$42.22 and the open market price of \$200 an ounce. If West Germany agrees to peg its gold reserves to the open market, French level, this will force central banks to orient to the new level, and will quickly establish the \$200 level as the price for all world reserves.

A series of high level deliberations have been ongoing since early November between U.S. and West German officials on implementation of President Carter's Nov. 1 dollar support package. During these talks, West German central bank officials have been taking the lead in guiding the U.S. Treasury on pro-

Since the institution of the Common Agricultural Policy, this will be the most determining event the Community has lived through.

Let us thus appropriately salute the European tenacity of French policy and the success of Giscard d'Estaing, principal European artisan of this monetary construction

The United Kingdom, which only entered the EEC to make it evolve in the direction of strict English interests, will remain outside the European monetary system. Italy and Ireland are asking for special aid

Today, like yesterday, Europe is pulled forward by the determination of the Six, then of the Nine, to increase solidarity and the work in common by the member states; and, at the same time, it is pulled backwards by the resistance of often legitimate national interests, or by hidden political afterthoughts.

Now more than ever, Europe is a question of political will ...

Where the EMS is headed

On the eve of a visit to Africa which is to take him to Guinea to meet with President Sekou-Touré, French President Giscard was interviewed in the weekly magazine Jeune Afrique Dec. 6. In this interview, which coincided with the Brussels conference, Giscard noted that the process of organizing Europe will enable Europe to more effectively participate in the economic development of the African continent and the rest of the world.

The principles which determine the attitude of France vis-à-vis the African states lead her to affirm on the political level that the fate of Africa must be decided by the Africans, and on the economic level

that the development of the continent is a priority

France wants Africa to be constituted by strong and stable states, with uncontested borders and in good economic health I intend to have France appear to Africa as a faithful, certain and disinterested friend, or more exactly, a friend who is only interested in the peace and the economic and social progress of the continent

The organization of Europe will play a positive role in this evolution. There seems to me, in effect, to be a convergence between the destinies of Europe and Africa, who want to be able to determine their own futures, outside of the influence of the States-continent of America and Asia. This solidarity already exists between us. France can, I think, claim the honor of having been its principal promoter within the European Economic Community

cedures for marketing \$10 billion worth of deutsche-mark denominated bonds on the West German market, a key feature of the Carter program. There is little doubt that these talks have also been used for informal exchanges on the EMS.

The most important of these exchanges is occurring Dec. 7 and 8 in Bonn, between Schmidt and U.S. Treasury Secretary Blumenthal. The Dec. 4 London *Guardian* leaked that at this meeting, Schmidt will begin to sound out Blumenthal on how the EMS can be used to reform the entire international monetary system.

Observers are also carefully monitoring the recent moves of Chase Manhattan Bank Chairman David Rockefeller, who is now completing a lengthy tour abroad. While Rockefeller has issued no public statements yet on the EMS, his comment in London this week that "U.S. interest rates are probably now at their peak," has been interpreted as an important signal of a shift in U.S. business community perceptions of the dollar crisis.

The steady hike in U.S. interest rates since September was the direct result of British warnings, channeled through Federal Reserve Chairman Miller, that the U.S. dollar would fall through the floor unless

the U.S. were committed to implementing an engineered recession in business activity. British networks' determination to sell this policy to U.S. business was directly connected to British desires to use a depressed U.S. economy as a bludgeon to collapse the EMS at an early date. Rockefeller's release, which sent the New York Stock Exchange's Dow Jones industrials average climbing 13 points Dec. 6, may indicate a thoroughgoing reassessment on his circle's part of the prospects for a U.S. recovery.

City of London forces are no less committed to creating a deep wedge between the EMS and Japan. The word has gone out that unless Japan ceases its policy of developing Asia's economy through massive, low-interest trade and industrial loans, Japan will be isolated as an enemy as it was during World War II. The Japanese policy of issuing low-interest, dollar-denominated loans on the Tokyo Capital Market was evolved under the recently deposed Administration of Takeo Fukuda, in closest collaboration with Schmidt and Giscard.

On Dec. 2, Mont Pelerin Society economist Milton Friedman intoned during an interview with Swedish television, "Before World War II, Japan embarked on building a greater East Asia co-prosperity sphere . . . you can now see the outlines" of this same policy "emerging through trade. . . . If Japan continues along its present course . . . this will once again lead to trouble."

Another free-enterpriser who has surfaced in Britain's anti-EMS drive is the ubiquitous Henry Kissinger. In Europe during the summit for an Aspen Institute Conference in West Berlin Dec. 2 and 3, Kissinger was quoted in the *International Herald Tribune* as warning that "the basis for economic development is the free market economy," and that "collaboration between the West and Comecon countries on development of Third World countries" cannot head off an East-West confrontation.

Pursuing the same line, James Reston of the *New York Times* headed a Dec. 6 column, "30 Years After Pearl Harbor." The effectiveness of British attacks on Japan — which have also included direct British network collaboration in massive corruption of the recent Japanese elections — is largely based on the continuing, short-sighted hostility of major U.S. banks to Japanese low-interest lending policies. Several New York banks recently revealed that they had turned down Japanese offers of joining in on major consortia to finance Asian development, because the lower Japanese interest rates would undermine the U.S. Federal Reserve's commitment to sustaining high U.S. domestic interest rates.

— Renee Sigerson

U.S. welcomes EMS

A joint statement by the U.S. State Department and Treasury yesterday welcomed the European Monetary System. Somewhat surprising in view of previous Administration reluctance to make any comments on the EMS, and in view of Britain's bitter opposition, the full statement reads as follows:

"The United States believes the new monetary arrangements announced December 5 represent closer monetary cooperation within the European community which is an important step to economic collaboration of Europe which we have long supported. We believe the new arrangements will be implemented in a way which will contribute to substantial growth in the world economy and a stable international monetary system. The U.S., Germany, Switzerland and Japan will continue to cooperate in a forceful and coordinated way to ensure stability in the exchange markets. The U.S. looks forward to continued close cooperation with its European trading partners as these arrangements evolve."