military and economic aid may be forthcoming in 1980. The amount is far below Turkey's needs and expectations, and, according to the *New York Times*, will most likely disappoint Ecevit, not to mention the Europeans. The *Times* goes on to note that the $300 million will probably never even be disbursed, because of opposition by the Zionist-connected Greek lobby in the United States.

Several IMF sources expressed their worry over the "intensive discussions" going on in Europe regarding the establishment of the special fund for Turkey. Both the European Economic Community and the OECD are currently discussing the shape of such a fund. NATO is also considering setting up a fund for Turkey. This latter loan mechanism would undoubtedly be linked to certain, as-yet-unidentified "strings" to keep the Turks in line.

At the same time, however, the Turks are developing a hedge against IMF and NATO armtwisting through greater economic ties with the Soviet Union. Soviet credits to Turkey have amounted to more than a billion dollars in recent years, and the Soviets are also building a steel complex at Iskenderun with a six million tons per year capacity. And the declaration on "friendly relations and cooperation" signed between the Soviets and the Turks last summer brought with it a Soviet pledge of three million tons of crude oil a year in exchange for Turkish products.

—*Nancy Parsons*

The future of the EMS is

Felix Goryunov, a leading Soviet economic commentator and proponent of a gold-backed monetary system, has written the first article in a major Soviet international publication to report that the new European Monetary System may succeed. Writing with Valery Lokhmachov in the weekly New Times *at the end of December, Goryunov linked the EMS's chances of success to its ability to aid the modernization of industry and to its leaders' willingness to "appraise the realities . . . of the world economy," such as the importance of long-term East-West trade agreements.*

The Goryunov-Lokhmachov article preserves elements from those Soviet commentaries that have denounced the EMS — such as the assumption that it will hurt the working population in Europe — which reflect the terms of debate over the EMS within the Soviet Union. In the context of increasing Soviet attention to the importance of continental Western Europe's international peace and development moves, however, it appears to be an opening of the door to eventual Soviet endorsement of the EMS.

In commentaries during the first days of 1979, the Soviet military paper Red Star *and other press highlighted West German Chancellor Schmidt's attempt to*

French assess their world role

Writing in Le Figaro *on Jan. 8, commentator Paul Marie de la Gorce contributed a major review of France's growing role in world affairs. Excerpts from his article, titled "The Axes of French Foreign Policy," follow.*

France's foreign policy remains different from its Atlantic partners on many issues. Four examples, in Africa, the Mideast, Iran and China, were provided by recent events:

. . . In the Western Sahara, France has chosen, contrary to its previous positions, a rigorous neutrality . . . In Chad a discreet agreement negotiated by the Libyan Prime Minister Jalloud has 'frozen' the situation. Paris has exerted considerable pressure on Zaire for the latter to come to terms with Angola and everything is done — and the same is true for other Western countries — to help the Neto government go beyond an exclusive tete-a-tete with the Socialist camp. . . . Last, the President has for the first time used the name Zimbabwe when referring to Rhodesia . . . thereby following the black nationalist opposition's terminology.

. . . The idea that France could be the champion in the struggle of one camp against the other definitely has been dropped. . . .

Nothing has changed as far as France's approach to the Mideast question however. . . . recognition of all countries, withdrawal from occupied territories since the 1967 war, creation of a fatherland for the Palestinians. . . . No separate agreement but a global settlement, hence the French reservations about President Sadat's initiatives and skepticism on Camp David. The opposition is striking between the French and the U.S. views.

The same opposition of views is true for Iran. . . .
that the highest circles in the French government have for months been passing strictures on the Shah. In any case those circles think that it is impossible to identify French interests — and possibly those of the West — with the continued presence of the current regime. And that it is dangerous to throw back the opposition toward other kinds of alliance. . . . Before his leaving for Guadeloupe, Mr. Giscard d'Estaing had sent a high level civil servant from the Quai d'Orsay (the French Foreign Ministry) to meet Khomeini and listen to his comments on the current situation in Iran. . . .

. . . Giscard thinks that of the two real dangers of war today, one stems from the Soviet-Chinese confrontation (the other stemming from the situation in the oil producing countries). But in no way does he draw the conclusion that one must play Peking

appraised by Soviet magazine

modify the U.S. and Britain's China policy and French President Giscard's dim view of Zbigniew Brzezinski's geopolitical "theorizing."

Excerpts from the Goryunov-Lokhmachov article, entitled "Will the Supersnake Survive?" follow.

The Common Market has received a New Year's gift. It is the European Monetary System (EMS) which, as decided by the European Council, the conference of the leaders of the Nine held in Brussels on December 4-5, will go into operation on January 1.

The gift, it turned out, had a defect. It took Italy a week to decide to join the EMS. Ireland hesitated two weeks. And Britain's participation is still in question.

The reaction to the outcome of this summit is highly contradictory. The Paris newspaper *Le Matin* calls it a "semi-failure" and the "beginning of a split among the the Nine." The establishment of the EMS has not become the historic event its sponsors had hoped it would be, the West German *Frankfurter Allgemeine* admits, but, it goes on to say, considering that for years the contradictions among the Common Market countries "did not allow them to adopt any decision of importance, then the outcome of the Brussels meeting is evidence of marked progress."

The Common Market had indeed been trying in vain to achieve currency stability since 1970. The EMS idea was advanced in April this year following the talks between West German Chancellor Helmut Schmidt and French President Valery Giscard d'Estaing. In July it was endorsed by the leaders of the Nine in Bremen, and at the beginning of December the EMS plan was approved in Brussels. What the Common Market failed to do in eight years was unexpectedly accomplished in eight months.

Why the haste? How does the EMS differ from former currency stabilization schemes and from the Snake (the system of joint fluctuation of the exchange rates of the currencies of five Common Market countries — the Federal Republic of Germany, Belgium, Holland, Denmark and Luxemburg — in relation to the dollar) which was introduced in 1972? Why, lastly, does the European Economic Community see the main impulse to integration in the monetary field?

Under the Heel of the Dollar

Towards the end of the 1960s it became obvious that the stimuli given the EEC countries' economy by the

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against Moscow.... Giscard has laid down the rule that the Franco-Chinese negotiations on armaments must exclude all armaments other than anti-tank and anti-plane weapons....

French economist urges growth policy

In an article published Jan. 6, *Le Figaro* columnist Alain Vernay interviewed leading French economists on world economic prospects in the wake of the Guadeloupe summit. Professor Jean Denizet responded by attacking the notion that growth breeds inflation, and reiterated the recent call by Pierre Moussa (See *Executive Intelligence Review* Vol. VI, No. 1), the president of the Banque de Paris et des Pays-bas, for an industrialized sector/Third World partnership for industrial growth. Excerpts from Vernay's report follow (quoted material is by Professor Denizet).

"...Never since the 1973 crisis have the conditions been better for a real upturn in world economic activity....First, the equilibrium of the main balance of payments which was upset by substantial deficits or surpluses after 1973 has now returned to its former state. Second is a psychological U-turn, which has brought about a change in thinking on parity stability. The Germans, the Americans and above all the Japanese seem to have renounced the idea that the free fluctuations of parities will solve everything. Everybody seems determined to maintain parities at their present level. Third, an upturn, sharp in West Germany and more moderate in the U.S., is taking place....

"If the four chiefs of state at the Guadeloupe summit could hear me I would ask them to seize the present opportunity. I would tell them: Take it, for up to now you have succeeded in maintaining economic activity without any growth, or almost. This is a situation which will not last and you are now threatened by a deflationary spiral....

"Be convinced that inflation is not linked to the growth rate. Do not pay attention to advisors who are behind the times. Be convinced that beneath the optimum growth rate, to gain one point in growth means reducing inflation by the same amount...."

For Jean Denizet, this new growth must be modeled after the current technological revolution, especially the energy mutation....(last) it is now impossible to separate the growth of the developed countries....on both sides of the Atlantic from that of the developing countries which are rallying to the same democratic ideal. Both must share in this new growth.

establishment in 1975 of the customs union — the Common Market — had to a large extent spent themselves. The international interlacing of monoply capital required the creation of a mechanism of interstate regulation not only of foreign trade, but of the basic trends of economic, scientific and technological development, and the co-ordination of social and monetary policies. The plan to set up an "economic and monetary union" was advanced in Brussels in 1970. Its aim was to co-ordinate economic policies in order to even up the levels of the member countries' economic development, stabilize trade and square the conditions for investment and for the exploitation of the working class. In a word, it would make economic "harmonization" possible. It was intended to consolidate it by the introduction of a European currency unit.

The Common Market leaders' efforts to speed up integration are influenced by both internal and external factors. Quantitatively, in volume of production, foreign trade, and gold and currency reserves, the Common Market was catching up with and even outpacing its main rival, the United States. Qualitatively, in the concentration of capital, technical equipment and raw materials, the EEC was conspicuously behind. And no less important — the United States had the dollar, a national and at the same time international reserve currency to which all the capitalist currency units were bound. This U.S. advantage in the rivalry between the two centres of imperialism proved to be decisive.

The disintegration in 1971-73 of the Bretton Woods system of stable rates of exchange forced the Common Market currencies tied to the dollar to float. Another blow to the EEC countries was dealt by the energy crisis: as a result of the increase in oil prices the treasuries of the Nine fell into debt to the Wall Street banks. In 1974-75 these troubles were further aggravated by a profound crisis of overproduction, mass unemployment and galloping inflation. Postponing the building of a "united Europe," each EEC country tried to extricate itself from the crisis at the expense of its neighbours. Instead of "harmonization" there appeared disproportions in foreign trade and differences in the rates of price increases (from 6 percent in the F.R.G. to 25 percent in Britain in 1975). . . .

The economic crisis led to further polarization of social and political forces. The action taken by the West European proletariat against unemployment and high living costs compelled governments to shift the emphasis in their economic policies. Bonn and Paris stimulated the economy to prevent a further growth of unemployment, while London and Rome tried to slow down inflation.

Hardly had the Common Market recovered from the crisis when, in the summer of 1977, the United States launched another attack: manipulating with the dollar's rate of exchange, American economic policy-makers tried to secure advantages for their exporters in order to patch up the holes in the U.S. balance of payments by expanding trade. The 15 per cent drop in the dollar's rate of exchange with regard to the other Western currencies, the American magazine Fortune gleefully wrote, would soon lead to a sharp increase in the U.S. exports of industrial goods.

The Common Market leaders' appeals to Washington to bolster up the dollar remained unanswered, and it was the EEC that had to pay for its "weakness." To check the fall in the rate of exchange, central banks began buying up huge amounts of dollars: in 1977 the EEC countries spent more than $30,000 million in national currencies for that purpose. The increase in the amount of money in circulation whipped up inflation. The recurrent fits of "dollar fever" weakened the Snake and widened the gap between the currency exchange rates of all the Common Market countries.

And so it was decided in the EEC capitals that the time had come to act. Preparations were launched to "leap" over "economic union" to "monetary union." This found expression in the plan to establish the European Monetary System.

Complex Mechanism

In the eight months from the day the Franco-West German proposal was advanced to the day the EMS plan was finally approved the financial experts had invested no little effort into tying in the system's "technical details" with the frequently opposite interests of the Nine. In its final form, the EMS represents an amplified variant of the existing Snake, but with considerable innovations.

The "Supersnake," as the Western press has christened the EMS, will coil not around the dollar, but around the European Currency Unit. The rates of exchange of national currencies will be maintained not so much by the purchase and sale of dollars as by operations with the national currencies in the Supersnake. Although the pound sterling is not yet part of it, London has participated in the establishment of the EMS mechanism and promised to help with the currency stabilization scheme.

It is significant that in the new unit of account the

CZECHS NOTE GISCARD-BRZEZINSKI RIFT

Coverage of the Guadeloupe meeting in the official Czechoslovak Communist Party daily, Rude Pravo, *reported an indirect jibe by French President Giscard at Zbigniew Brzezinski, the U.S. National Security Advisor.* Rude Pravo *said:*

"We want to speak directly about things, as openly as possible and without any academic theorizing," Giscard d'Estaing told journalists after his arrival in Guadeloupe. The press agency AP added that the most prominent originator of academic theories is present here as Carter's advisor on national security questions, and that it is quite possible that the French president's remark was aimed directly at him.

amount of each national currency reflects the distribution of trade between members of the Common Market. Thus, unlike the dollar, which largely represents fictitious, speculative capital, the European unit of account is based on real commodity values. Moreover, the stabilization fund created within the EMS includes not only the national currencies, but gold reserves as well. Lastly, the mechanism of correcting rates of exchange will help to lessen speculation.

The mechanism of the Supersnake is rather complex and hence it is safe to assume that it will start creaking at the joints the moment it is put to the test across the ocean. It may already be said that Washington was anticipating the Supersnake when it announced steps to prop up the dollar on November 1.

At the same time it is apparently assumed in Wall Street that the Supersnake is as yet too weak to pose a real threat to the dollar's hegemony in the capitalist monetary system. Speaking at the meeting of the American-Soviet Trade and Economic Council on December 6, David Rockefeller said: "Similar attempts at an enlarged currency snake broke down when rates of inflation in Britain, France and Italy greatly exceeded those of other countries — especially, West Germany. A wide gap in inflation rates continues to exist today and appears likely to persist in the future. For the current proposals to fare any better over a longer period would require greater harmonization of the monetary and overall domestic economic policies of the participating nations. Politically this will not be easy to achieve."

Pros and cons

Without trying to guess what trials await the Supersnake, we would like nevertheless to try to assess what it means for the "Europe of the trusts."

Firstly, the relative currency stability may facilitate accumulation of the EEC countries' internationally interlaced monopoly capital. This would speed up modernization of industry and make it easier to marshall funds for investment in the national economy and regional development programmes.

Secondly, stabilization of the currency exchange rates may equalize the conditions of competition in the Common Market and facilitate the implementation of a single agricultural policy.

Thirdly, inherent in the EMS mechanism are supranational elements with the aid of which the West European monopolies intend to launch an assault on the working class in the "interests of Europe." As L'Humanite has pointed out, a "big step forward was made in Brussels to impart a supranational character to the national economic policies."

It is no coincidence that the Association of British Chambers of Commerce, which favours Britain's accession to the Supersnake, has stressed that the EMS would immediately establish a highly indispensable discipline for the British government which would have to oppose short-term political palliatives which do not ensure lasting economic stability. The "palliatives" that do not suit the entrepreneurs are well known — they are the Labour government's fear to freeze wages. It is the apprehensions felt by most Britons that their country's accession to the EMS would inevitably mean further belt-tightening that compelled the Callaghan government to conclude that the Supersnake was not worth a defeat at the coming election.

And fourthly, the establishment of the European Monetary System may strengthen the EEC's positions in the Western monetary and credit system and in world trade.

The West European monopolies hope that the Supersnake will help them make deeper inroads in the countries seeking admission to the Common Market — Greece, Spain, and Portugal. It is hoped in Brussels to tighten the bonds between the Common Market and the 53 African, Caribbean and Pacific countries which signed a trade treaty — the so-called Lome Convention — with the EEC in 1975. Particular importance is also attached in Brussels to the Arab oil producing countries, for they account for 70 percent of all the oil the Common Market members import and for 15 percent of Common Market exports. The report drawn up by the Commission of the European Communities for the fourth session of the European-Arab Dialogue in Damascus on December 9-11 stressed the need of guarantees for regular deliveries of oil, promotion of industrial cooperation, and wider participation of the Arab oil-producing countries' capital in the modernization of EEC industries.

Among the factors producing a positive impact on the economic and monetary situation in the Common Market is successful East-West business co-operation. As pointed out time and again in the West European capitals, long-term and large-scale agreements signed with the CMEA countries by the F.R.G., France, Italy and a number of other EEC members help the latter solve their raw-material problems, bring orders to their industry, and reduce unemployment. Broader mutually beneficial trade and industrial cooperation and contacts between the CMEA and the EEC would stabilize the economic situation in Europe.

There are chances that the West European Supersnake will survive. The question is whether its creators will succeed not only in aligning their rates of exchange, but also in appraising the realities of the present-day world economy.