

# The EMS's global strategy unfolds

*But the U.S. remains mired in the recession obsession*

The Dec. 13 announcement of Irish Prime Minister Jack Lynch that his country would be entering the European Monetary System (EMS) as a founding member beginning Jan. 1 tightened the noose around Britain's neck and left London exposed as the new system's isolated opponent.

Lynch told the Irish Parliament that his decision was "an act of trust" in the European Community, made easy by the fact that the Italian government of Prime Minister Giulio Andreotti had committed Italy to joining the new monetary system just days earlier.

London's reaction was typified by the Dec. 17 editorial comment of the *Daily Telegraph*: "The about-turn by Italy and Ireland has turned last week's defeat into this week's triumph and has abundantly restored the reputations of (the EMS co-founders, West German) Chancellor Helmut Schmidt and (French President) Giscard d'Estaing," making Britain's position "look even more friendless — and perhaps now untenable for any length of time."

British response to the Irish decision was to unleash a terror wave against the Irish community in the UK, through the instrument of the British intelligence-controlled Irish Republican Army. Five British cities with large Catholic populations were placed under virtual military occupation to deal with what Scotland Yard confidently predicted was the beginning of the IRA's "winter terrorist offensive." These included Liverpool, Manchester, Southampton, Bristol, and Coventry business districts.

Use of the terrorist weapon, however, has not succeeded in changing Ireland's decision to break its ties with the moribund pound sterling. Instead, Dublin announced extensive exchange control measures that will have the effect of drawing Irish money out of London. As Prime Minister Lynch told the Irish Parliament, joining the EMS is necessary for Ireland if it is to "enhance the prospects for trade and investment" and enable the country to become a highly industrialized economy.

This was a striking reference by Lynch to the actual role of the EMS as a world strategy for dramatically increasing net international trade, most clearly revealed in the remarkable 100-point program of President Giscard's Union for French Democracy (UDF) coalition. The program calls for the creation of a \$100 billion European Community loan program to both finance investments in Europe and to serve as a large-scale "European Marshall Plan" for the developing sector. The remaining points of

the UDF proposal outline a strategy for French and global industrial development that would put an end to the unrelenting austerity packages which have stagnated the international economy.

As detailed below, the French government is already in the process of implementing the politico-economic EMS strategy encapsulated in the UDF program, as indicated by the recent ten-year oil-for-technology deal with Mexico and particularly by Giscard's Africa policy. The French President left for Guinea Dec. 20 to personally implement the French plan for regional development of West Africa in cooperation with the Soviet Union, in accordance with the Franco-Soviet agreement to stabilize the African continent worked out in Moscow last August.

## Confusion in the U.S.

Although little understood and less commented on within the American press in particular, it is precisely the strategic content of the EMS typified by the UDF program which, for example, enabled the Soviets to nod at the U.S. China maneuver rather than respond with profiled denunciations that would have endangered the SALT treaty. But little of the global import of the EMS and its related political implications have found their way into the American press or the boardrooms of U.S. industry. As a result, much of the American business community appears confused and unable to make a definitive response to major international events. This is in turn mirrored in government policymaking. It is this highly unusual situation which the *Executive Intelligence Review* is attempting to correct by sponsoring a series of business seminars throughout the country on the reality of the EMS and its implications.

At present, beneath the continuing disorientation, there is a harsh faction fight underway in banking circles and related layers. The Reuss-Kennedy machine, for example, is following the straight London line of opposition to the EMS. Congressman Henry Reuss, speaking at subcommittee hearings of the Joint Economic Committee on Dec. 14, was forthright in echoing the Bank of England's argument that the reserve role of the dollar must be "gradually relinquished" in favor of the International Monetary Fund's "enlarged and rechristened" special drawing rights. Not accidentally, Reuss is on record as opposing the EMS, whose cofounders have repeatedly insisted will function to strengthen the international reserve role of the dollar as the only adequate instrument

for the realization of the EMS's global development goals. In a similar vein, Business Round Table chairman Irving Shapiro warned President Carter after the latter's address to the Business Council Dec. 13 that he would be assured of business support only insofar as the Administration stays in line with its wage-slashing, budget-cutting "anti-inflation" program.

The vacillation generated in Administration layers by such warnings on the one hand, and the promise to American industry held out by the EMS on the other, is reflected in the recent statements of Treasury Secretary Michael Blumenthal and Federal Reserve chairman G. William Miller. Testifying at the Joint Economic Committee hearings, Blumenthal was forced to praise the EMS as a "positive factor" while simultaneously supporting an austerity package for the U.S. economy. Miller joined Blumenthal in reversing his opposition to the EMS and dollar support in a speech to the prestigious Atlantic Bridge meeting in Frankfurt Dec. 12, dubbing the European Monetary System a "constructive approach toward greater monetary stability....All of us stand to benefit." But a week later, however, the Fed allowed the Fed funds rate to climb by another one-eighth percent.

— Vivian Zoakos

## France defines 'EMS' as

Last week's proposal by the coalition of political parties backing French President Giscard d'Estaing for a \$100 billion European Economic Community development fund has set the stage for bold new initiatives from France. The proposal, coming from sources close to the French government at the highest level, illustrates the real thinking behind the new European Monetary System (EMS) and, by offering the various social forces and trade unionists in France a deal they can't refuse, frees the government to bring its global grand design strategy to fruition.

French Foreign Trade Minister Jean-Francois Deniau, speaking as President of the European committee of the UDF (Union pour la Democratie Francaise), announced on Dec. 12 a 100-point program which revolves around the plan for a \$100 billion fund to finance industrial development in Europe and an increase in living standards in the developing sector. It also includes a series of social measures which are not only based on demands already put forward by France's trade unions, but are also neces-

### \$100 billion program for peace and progress

*On Dec. 12 French Minister for Foreign Trade Jean-Francois Deniau addressed a meeting of the leadership of the UDF coalition of progovernment political parties. Deniau was speaking as the President of the UDF's European commission, announcing a 100-point program which the UDF, after ratification at its February congress, will use as its platform and program for the European Assembly elections in June 1979. Here are portions of his speech.*

The goal of the program presented is "a strong, prosperous and respected France, in an organized and independent Europe which is at the same time a guarantee against war, a response to our economic and social needs, and an insurance for democracy and liberty." These are the conditions necessary for the emergence of "a new European civilization."

"The election by universal suffrage will permit the European Assembly to exert its powers with an increased authority. These limited powers will not be substituted to those of our national Parliament, nor go beyond those assigned to it by the constitutional treaties of the EEC, but these powers will nonetheless be real and important for our country, our economy and our future. . . .

"We reject the bureaucratic superstate. Our conception is that of a confederated Europe in which the

European Council sets the orientations of the Community with respect for the sovereignty of the States . . ."

Reading from the program and commenting on it, Deniau said that it proposes "that the nine member governments of the Community launch a development plan for employment by investing together over five years sums which could amount to 500 billion francs."

"Half of these sums would come from national efforts coordinated on the European level, the other half from community loans, the community itself borrowing these sums on the basis of the credit (collateral — ed.) provided by the considerable monetary reserves of its members. These loans, denominated in ECUs, would be retroceded to the member countries and would serve to finance a vast program of industrial, regional, and infrastructural investments on the European scale (for example the tunnel under the Channel, completion of the modernization of the waterway liaison between the Mediterranean and the North Sea) which present a particular interest from the standpoint of employment."

Deniau added that this 500 billion franc program would serve to promote progress and modernization in the developing countries. "It would be a credit policy to ensure a relaunching of orders, a sort of Marshall Plan which would aim to increase the standard of living and