

# EMS begins on target—'unofficially'

*Last-minute intrigue fails to halt global development thrust*

The European Monetary System went into practical operation on Jan. 2, on schedule. EMS member currencies including the French franc and Italian lira were brought into alignment on Tuesday and held within the 2.4 percent currency fluctuation bands set by EMS architects—as if the EMS were officially operational. The much publicized eruption of French-West German disagreements over agricultural policy, the pretext for postponing formal commencement of the new monetary system, bears all the ear-marks of a gambit by anti-EMS forces to undermine the new monetary plan.

European government sources, including an official at the bank of France, confirmed that the new monetary system was essentially in effect. Significantly, the U.S. dollar rose uniformly against the European currencies on rumors that the Carter Administration was preparing to announce a new set of dollar support measures. These facts suggest U.S.-European government level coordination to set the EMS in motion and closely coordinate the dollar with it.

In fact, the reason for Chancellor Schmidt and President Giscard's otherwise unlikely deference to the protests of agricultural layers and the postponement of the official inauguration of the EMS is, as today's *Financial Times* of London blurts out, the two leaders' concern over the continued weakness of the dollar and world political instability typified by the British provoked crisis in Iran. Schmidt and Giscard plan to tackle and resolve the dollar issue and broad strategic issues of peace and economic development—the actual content of the new monetary system—at the four-power political summit meeting in Guadeloupe this weekend.

What remains unresolved is whose agenda—that of the EMS or the British—will capture Carter's ear at the upcoming summit. In an editorial page feature, in the *Guardian* on Dec. 29, political columnist Peter Jenkins laid out the intentions of British geopoliticians to use Guadeloupe to force a "Directory of the Western Alliance" to supersede NATO and the EEC. The *London Economist* also trumpeted the British agenda for Guadeloupe and the new year, with the Jan. 5 edition demanding that the U.S. avoid the "economic perils of 1979" by raising interest rates with "a brave jerk" and implementing "project independence" to lessen U.S. energy dependence on the volatile Middle East. These policy directives, which Prime Minister Callaghan will try to impose on Carter at

Guadeloupe, signal Britain's intent to push the U.S. and other nations into a mode of war-time austerity and confrontation with the Soviet Union in some limited nuclear war "theatre" like Iran.

Schmidt and Giscard, on the other hand, are going to Guadeloupe with the aim of lining up Carter with their own recent political-economic initiatives in the Mideast and Third world. That the two leaders designed the EMS to secure global peace and development is now coming fully into public view.

Statements made by Venezuelan President Carlos Andres Perez following meetings with Chancellor Schmidt at the North-South talks in Jamaica this week emphasize the relationship of the EMS to Third World development. Perez told the press: "The industrialized world cannot resolve its grave economic problems without achieving the widening of markets for its products and that this widening cannot be obtained except in the markets of the Third World. Interdependence is the fundamental factor with which to guide future relations in the world economy."

Perez also indicated that he and Schmidt had discussed the crucial issue of Third World debt, now impeding economic development, and he commented that he was "frankly positive" about the outcome of the discussions with the West German leader, who went to Jamaica as the representative of all the Bonn summit countries. "We came to an identity in fundamental points of view," said Perez.

The Schmidt-Perez discussions point to the importance of expediting the credit extension aspect of the EMS for ensuring the success of the EMS and for defeating British "Dark Ages" strategy for plunging the world into political and economic chaos and enforced backwardness.

Knowledgeable European sources in Washington, meanwhile, report that Giscard has diabolical plans for pressing for an early revaluation of European gold reserves, the basis for the European Monetary Fund and its credit extension activities. Giscard's immediate tactical reason for engineering the gold revaluation would be to disarm French peasant groups which threaten to box in the government on the issue of European agricultural policy. They have already introduced a snag into the official launching of the EMS this week. Once the gold revaluation goes through, Giscard can point out to the peasants, who are fearful of getting short-changed when

the EMS begins, that by joining the gold-based system France will get much more money than through any agricultural financing arrangements!

#### Behind the agricultural crisis

The odor of intrigue hangs over the sudden eruption of the agricultural issue in recent weeks which was geared to create an instant new "rupture" in European relations. Another notable feature is a "British-West German alliance" against the French. It is not irrelevant that the leading British press organs, in their first fit of outrage over the Giscard-Schmidt initiative last fall, openly discussed using the "agricultural issue" against the EMS then.

European peasants, like their ministerial representatives for the most part, are a notoriously backward and labile group easily capable of being manipulated into inflammatory rage against their own best interests. West German Agriculture Minister Ertl, who has played a virtual provocateur role in the episode at hand, is certainly no friend of Helmut Schmidt's, and is a member of the tiny Free Democratic Party that often answers to London. French peasants for their part are prey to manipulation around the issue of agricultural prices because of the hideous backwardness of huge sections of French agriculture — the archaic system of small and inefficient peasant plots which dates from the 18th century.

Significantly, as was indicated in a Jan. 1 interview with the West German magazine *Der Spiegel*, President Giscard appears to be aware of the source of the trouble on the agriculture question, addressing Great Britain's attempts to take advantage of the EEC. That is the proper approach. At the same time there is no avoiding the necessity of a deliberate program for modernization of European agriculture, a program whose basis lies in implementing the related goal of Third World industrialization. Anything less will leave the EMS vulnerable to the anachronism that is European agriculture and its peasantry, the centuries-old pawns of the "black" aristocracy against progress.

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#### GISCARD ON BRITAIN'S DEMANDS

French President Valery Giscard d'Estaing spoke on Britain's role in the EEC in an interview in the Jan. 1, issue of the West German newsmagazine *Der Spiegel*.

*Spiegel: Great Britain's entry into the EEC has proven itself to be a dangerous impediment for the existing community. The English are complaining about their increasing financial burdens, and are demanding a new division of labor. Should one give in to their demands?*

**Giscard:** Our British partners have always been excellent negotiators who have represented the interests of their country quite skillfully. No one can take offense at them for that. But one must remember certain realities.

First of all, the community is no bookkeeping or compensation operation in which everyone only puts in

what they are certain of getting back again. All of the member states are getting all kinds of the most diverse advantages from their participation in building up Europe, particularly through the opening up of the borders. . . . When one looks at a precise account, then one also must include the compensation payments for Great Britain's agricultural imports, for these are regular subsidies, which we pay to British consumers. One can then confirm, that Great Britain gets considerable advantages from the Common Market, even in the agricultural sector.

## EMS diplomacy for development

The European Monetary System has taken off in the midst of a full diplomatic offensive on the part of West Germany, France, and allied forces to bring the Third World into its program. The effort to extend the new system into trade expansion and development programs involving Third World nations is the most powerful weapon at continental Europe's disposal to cut off the British-instigated drive for military confrontation in the Mideast and massive destabilization throughout the Third World.

At this time, West German Chancellor Schmidt and French President Giscard are unveiling a bold program to Third World leaders to link the pooled central bank reserves in the EMS to an arrangement for financing raw materials imports into industrialized Europe. The key feature of the program is the French-West German offer that price stability for raw materials be connected to substantial European credit facilities to export capital goods to the Third World.

These discussions dramatically demonstrate that the EMS has indeed been founded as the stepping stone to a new global monetary system, based on the International Development Bank program first called for in 1975 by U.S. Labor Party Chairman Lyndon LaRouche.

The umbrella under which the presently proposed arrangements are being discussed is the 1976 Lome Accord between the Common Market and approximately 85 developing nations, which expires this year. Importantly, the Lome countries strongly represent "former" British colonies, and there is little question that Schmidt and Giscard intend to use large-scale credit allocation as a wedge for breaking the still powerful political and financial stranglehold of the "British Empire."

On Dec. 28, Schmidt arrived in Kingston, Jamaica for a summit meeting with several Commonwealth heads of state, including the conference's cochairman Jamaican Prime Minister Manley. Schmidt announced that "a new and more just world economic order, full access to credits