

EMS takes on EC farm mess

Third World relations linked to modernization efforts

Highly placed official sources in West Germany and the United States have scoffed at British press reports last week that the new European Monetary System faced difficulties due to Franco-German disagreement over the relationship of the new system to the European Community's method of agricultural pricing. According to these reports, issued also by the *New York Times's* Paul Lewis last week, French insistence on eliminating the so-called Monetary Compensation Amounts (MCAs), a form of Common Agricultural Policy subsidy for farmers suffering from currency shifts, would stall the inauguration of the EMS indefinitely.

In fact, according to American State Department sources — who are far from pleased about it — the French deliberately stalled the formal inauguration of EMS in order to “totally transform” the Agricultural Policy, which favors the most backward section of European agriculture. In the State Department's hostile perception, West German Chancellor Schmidt is French President Giscard's covert ally in this process, which would force either the modernization or disbanding of most Bavarian agriculture. Bavarian peasants, among the most backward in the European Community, are also the main electoral base of Schmidt's enemy Franz-Josef Strauss, the main West German spokesman for the Hapsburg family's “Pan-European Union.” The MCA's currently benefit Bavarian agriculture at EC expense, by permitting less-efficient Bavarian peasants to sell their products throughout Europe at the equivalent of the pre-revaluation German mark rate, without which these products would be priced out of their present markets. The MCAs, more importantly, benefit Britain, which imports most of its food, by permitting the EC's weakest economy to import food at the equivalent of the pre-devaluation sterling rate, or roughly 20 percent less than Britain would have to pay otherwise.

Correspondingly, the British have intervened in what was initially billed as a Franco-German dispute, although it was actually a Schmidt-Giscard operation against agricultural backwardness, especially of the Bavarian variety. In a maneuver that severely damaged his reputation as a European rather than a British spokesman, EC Chairman Roy Jenkins was tapped by British Prime Minister Callaghan to act as Britain's advocate against France. State Department sources qualified the British Prime Minister as “desperate” over the possible loss of the EC subsidies, and “handling the entire situation himself.” Simultaneously, Britain's friends among the Bavarian nobility came to the aid of their “homeland.”

A Schmidt opponent, Free Democratic Party Agriculture Minister Ertle, goaded by such Hapsburg fawns as Baron von

Heeremann, head of the West German peasants' federation, suddenly reneged on previous EMS agreements to phase out the MCAs several weeks ago, and promptly found himself in bed with the EMS' bitter opponent, Great Britain. The British press, which several months ago mooted editorially the prospect for hanging the EMS on the agricultural issue, has puffed the farm issue to the point that pro-London conduits such as the *New York Times's* Lewis, pronounced the EMS a virtual dead letter.

UK Foreign Minister David Owen gave Britain's game away at the European Parliament meeting last week held to launch French Foreign Minister François-Ponçet's tenure as EEC Council President. Within 24 hours of a publicly announced compromise agreement between leading French and West German peasant organizations on the MCA issue, Owen insisted publicly that Her Majesty would not allow the phasing out of the MCAs, as had been agreed to by EMS founding members and reconfirmed as a part of the peasant leaders' compromise, without first implementing a complete overhaul of the Common Agriculture Policy (CAP). As Ponçet promptly pointed out to Owen, Britain has refused to join the EMS, a little fact which is grounds for dismissing British meddling in the issue out of hand. Moreover, revealing the British duplicity and opportunism at the Bremen summit where the EMS was put together, the formula for freezing and then phasing out the MCA that was part of the package from the outset received not a peep of objection from the honorable British Prime Minister Callaghan.

It rapidly became apparent that Owen overplayed the Queen's hand. Last week the London *Financial Times* reported that while bilateral discussions between France and Germany on the issue had not made much progress “toward a community solution,” the talks may well have “gotten these two governments closer together.” Private meetings between the French and West German agriculture ministers in Brussels last week were expanded to include the two countries' finance and foreign ministers on Monday. The French press reports that Belgian Agricultural Minister Humbelt has offered a compromise, and Berlin's “Green Week” festivities beginning tomorrow are expected to be a focus of further informal discussion on the issue. There are a series of ministerial and other meetings over the coming several weeks, any one of which can serve to ratify a settlement to the problem.

Orientation to the developing sector

The real leverage for the EMS's success, however, lies in the EMS push toward the developing sector. This is not only the basis for extending the EMS kernel into a new world credit system to assure

peace and world economic growth, but it is, in particular, the basis for solving the European "farm problem" itself.

The opening of a significant new round of negotiations over the past week between West Germany and Japan and Saudi Arabian leaders on world economic collaboration marks the real power and advance of Giscard and Schmidt's peace and development policy. Japanese Finance Minister Sonoda arrived in Bonn last week for planning discussions with West German government officials on how Japan and continental Western Europe can rapidly move to use the combined muscle of the EMS and the Japanese "capital market" to get industrial exports into Asia, Africa and South America. Together the EMS and the Tokyo market add up to one-half trillion dollars worth of potential low-interest, long-term loans to finance world economic development.

West Germany's leading press agreed that Sonoda's visit was "of extraordinary significance at this time." Japanese leaders have been working closely with West German Chancellor Helmut Schmidt around a policy of ending the world economic depression as the only means to avert an outbreak of East-West nuclear confrontation since October 1978, when Schmidt made a state visit to Tokyo to discuss the French-West German EMS initiative. The efforts temporarily lost momentum with the late 1978 election of Prime Minister Ohira, but have begun to pick up since the four-power Guadeloupe summit. Following the talks between Sonoda and West German Foreign Minister Genscher yesterday, a statement was released to the press affirming that both nations face "additional responsibilities. . . to affect world policies."

Another set of vital negotiations began this past week between West German officials and Saudi Arabian Finance Minister Saud to bring the Arab Monetary Fund's multibillion dollar reserves into this European-Asian alliance. On Feb. 1, the West German-Saudi joint economic commission will convene in Bonn to draw up plans for joint industrial ventures in third countries.

European leaders have in fact been increasingly emphasizing publicly that the EMS is not simply a European effort, but is actually an international development program. From the key-stone Schmidt-Brezhnev accords of last May, to Chancellor Schmidt's late December extended discussions with Jamaican Prime Minister Michael Manley on North-South issues, and on President Giscard's upcoming Mexico visit and Iraqi and other Arab collaboration, the global North-South and East-West scope of the Giscard-Schmidt initiative is apparent.

In a Jan. 19 report to the Social Democratic parliamentary fraction on the scope of development programs now under discussion, Schmidt revealed that he was delegated by the Jamaica conference to deliver a speech appealing to the Soviet Union to join the North-South dialogue, a speech which Schmidt is now preparing for release "at the proper time." Further, South American government sources report this week that the April state visit to Brazil where Chancellor Schmidt will sign the final documents for the landmark Brazil-West Germany nuclear reactor deal will be expanded to include a Latin American organizing drive through Peru and the Dominican Republic.

A thorough housecleaning of the West German Ministry for Economic Cooperation, the Development Ministry, attests to the seriousness of the Chancellor's commitment to Third World industrialization. Holdovers from the reign of environmentalist "development minister" Egon Bahr are being sacked.

As French Foreign Minister and EEC Council President

François-Poncet emphasized in his opening speech to the European Parliament, implementation of the EMS goes hand in hand with renegotiation of the Lomé accords, with "more ambitious" cooperation accords between East and West, and with serious economic and energy development plans for Europe.

The Lomé agreements have also figured prominently in West German policy for the developing sector, highlighted by the Schmidt-Manley conference in Jamaica during late December which marked the first of an expected round of negotiations to rewrite European-Third World Lomé Treaty which expires in 1980.

Lomé, which defines preferential trading relations between the EEC and a grouping of some 56 African, Caribbean and Pacific developing countries around a two-pronged program of Third World nation income stabilization and development financing, was put together in 1975 as a means, primarily, of subsidizing the Commonwealth colonies upon Britain's joining the EEC. The only beneficiary to date has been Tate and Lyle, Britain's colonialist sugar monopoly, which wanted the agreement in order to rig world sugar prices. For the past year, Chancellor Schmidt has advocated a "globalization" of Lomé to the entire developing sector. Just how this is interpreted and carried out, and it is a tricky matter of great practical importance, the potential in Schmidt's Lomé tactic has not been missed by London's colonialists.

France-Iraq talks typify

The EMS approach to developing sector nations was well illustrated earlier this month when Prime Minister Tahamoueidine Maarouf arrived in Paris for three days of talks with French government leaders. Arriving on Jan. 9, Maarouf was accompanied by the Iraqi Ministers of Foreign Affairs, Trade, Information, Agriculture and Agricultural Reform. During their stay, Prime Minister Maarouf met with French President Giscard d'Estaing, Prime Minister Raymond Barre and also toured the Framatome nuclear power plants.

In a speech Jan. 9 at the first of a series of meetings and toasts, Prime Minister Barre spelled out the nature of the Franco-Iraqi economic relationship, as well as the critical importance of Iraq as a factor of stability in the Middle East. Barre declared:

"It is with great honor that France welcomes on its soil for the first time Prime Minister Maarouf.

"Collaboration on an equal footing, to the mutual advantage of each party can only be established on the basis of a clear accord on a certain number of essential principles.

"The first of these principles is that of national independence. Iraq and France are convinced of it. This is for us, Iraqis and French, the first reason to meet and understand each other.

"A second principle is the serious desire to construct, on solid bases, the economic and social development of our countries and to mobilize to this end all our energies. This development proceeds from the methodical organization of our resources, the training of men, the modernization of

As it stands, Lomé has two institutional legs — STABEX, an income stabilization fund to guarantee a certain level of national income to Third World country members should their export earnings tumble, and a complementary Industrial Development Fund to foster technology transfer and modernization in the Third World. To date, practically speaking, STABEX has been the crux of the operation, and it is the STABEX feature specifically which Chancellor Schmidt has proposed to globalize. It is essential to note that STABEX is an income stabilization program — as opposed to the dubious “Common Fund” proposal to subject world commodity prices to speculative “stabilization” manipulation — and that furthermore, in sharp contrast to the IMF’s Compensatory Financing Facility, it attaches no conditionality to income transfers.

At present, STABEX remains a mere international welfare type of holding action in respect to actual Third World development needs. In the future? Whatever Schmidt has precisely in mind, British colonial bureaucracy holdovers in the IMF and World Bank have been literally apoplectic over the Schmidt-Manley Jamaica conference.

Frantic officials at the IMF and World Bank recently squawked to reporters that “Schmidt is trying to take over the world!”

—Susan Cohen

Europe begins gold remonetization

The central banks of the eight European Monetary System (EMS) countries have worked out the specifics of valuing the gold pool composed of an initial 20 percent of each member’s bullion reserves at the market price — and continually expanding that pool. According to sources at the West German Bundesbank Jan. 25, the decision was not to value the pooled gold in the EMS’s European Monetary Fund (EMF) at either 75 percent of the market prices, as the London *Financial Times* had reported, or at a six-month average of the market price, but at a three-month average — in effect, 100 percent — of the market price. That market price is now well established with a \$200-an-ounce-range floor.

As a member, say Italy, draws on the EMF, it receives a transfer of gold and dollars, denominated in European Currency Units; then the surplus members, like West Germany, replenish the fund. Consequently there will be a steady shift of central banks’ gold (and dollar) reserves to the EMS.

On the books, the gold remaining with the central banks will be

EMS’s Third World approach

agriculture, the exploitation of natural resources, the creation of industries responding to the real needs of the country. From all these standpoints, Iraq is in a good position. . . . France shares the hope that Iraq will fully succeed in its development, because today, more than ever, we have the conviction that a prosperous and powerful Iraq is indispensable for the stability of the Middle East.

“This is why, in our cooperation with you, we have never wanted to exclude any sector of activity. This is why we are ready to take, with respect for the orientations and priorities set by the Iraqi government, an increased role in your development enterprise, as is already demonstrated by our position as the number one buyer of Iraqi oil, a role which will be affirmed even more in the next years. . . .

“I am in particular convinced that close cooperation between Iraq and France is one of the foundations of any future enterprise between the Arab world and Europe. Your country and mine can bring, each in its own way, a major contribution to the stability of this vast region of the world which stretches from the Atlantic Ocean to the Indian Ocean, passing through the Mediterranean, outside of all foreign interference and bloc politics. . . .

“National independence, economic development, cooperation and international solidarity, these are the fundamental elements of a conception that we share and which must lead us, Iraqis and French, Arabs and Europeans, to agree and act in concert.”

France’s Mideast role

The French see economic development as interrelated to prospects for peace and stability in the Mideast. The following day Giscard stated after his meeting with Maarouf that “peace in the Middle East could not be a lasting one without the real unity of the Arab world. We expect a lot from the role Iraq has to play in the equilibrium of the Middle East and the circumstances of the moment add to the price we attach to the existence of a strong and prosperous Iraq.”

A joint communiqué was issued in which Maarouf expressed Iraq’s positive appraisal of France’s role in the Middle East, Lebanon and the Horn of Africa and in the development of international detente. Both sides urged that peace be concluded in the Mideast on the basis of Israel’s withdrawal from occupied territory and the recognition of the rights of the Palestinian people. Finally, a pledge was made for France to participate to the greatest extent possible in the realization of Iraq’s five-year economic plan.

Specific deals under consideration include: the construction of one or more nuclear power stations, a dam in the Messoul region, a refinery and two gas liquefaction plants. Prime Minister Barre has accepted an invitation to visit Iraq at a still undetermined date, in addition to his planned trip to Saudi Arabia this April.