

Giscard And Schmidt:

New Dollar System To Confront Economic Fundamentals

America's two key allies in Western Europe, French President Giscard d'Estaing and West German Chancellor Schmidt, are pushing for an international agreement to "overhaul the world monetary system" before the summit meeting of six leading industrial nations in Bonn this July.

During the April 7-8 meeting of the European Economic Community (EEC) heads of state, held in Copenhagen, a spokesman for the West German government made an emergency phone call in the middle of the night to alert the press corps that West Germany was not supporting the proposal outlined by EEC Commission Chairman Roy Jenkins for an "independent" European solution to the international monetary crisis. The British plan, which London's press continues to lie is still on the boards, would replace dollar-denominated trade and currency transactions with increased use of "European Units of Account" — a basket of EEC currencies used only for accounting and tariff purposes.

On April 13, New York's *Journal of Commerce* not only reported that Jenkins's plan was being met with "increased skepticism" in European circles, but that the collapse of the proposal had led the Irish government to seriously consider breaking the Irish pound from its parity with the British pound, in favor of linkage with continental currencies!

The Golden Snake

A recent commentary on French radio asserted that Schmidt and Giscard intend "to educate President Carter" at the July summit on the necessity of stabilization of the dollar. In preparation for their discussions with Carter, informed European corporate and banking circles report, efforts are already underway to effect stabilization of the dollar by linking it up with the six-nation European currency "snake" through a "gold-exchange" mechanism. The sources report that Switzerland may join the snake to strengthen the gold-exchange procedures.

Since the Copenhagen meeting, a wide, representative array of U.S. and European industry and banking spokesmen have issued unequivocal statements backing cooperation with the United States, as opposed to Britain's "breakaway" approach to currency problems.

In Frankfurt, U.S. and West German bankers gathered for the yearly conference of the West German Federal Banking Association, where Deutsche Bank chairman Wilfried Guth, honorary chairman Hermann Abs, and U.S. Federal Reserve Board governor Henry Wallich joined together behind transatlantic cooperation.

There is "no European solution to the weakness of the

dollar, whose fate can be determined only in Washington," Guth stated. Dollar recovery is "indispensable."

Wallich emphasized the absolute necessity of boosting U.S. exports as the essential precondition to putting the dollar on a permanently stable foundation. At the same time, Reginald Jones, chairman of General Electric corporation, demanded at an international trade conference in Houston, Texas, that the U.S. "must take leadership for expanding world trade and investment." Jones also virulently denounced protectionism as a solution to the U.S. payments deficit, stating, "(If the U.S.) builds walls to keep out the rest of the world and lets the dollar lose its position as the world's reserve currency, then the consequences for us and the rest of the world could be grave indeed..."

Resume North-South

The drive to boost U.S. exports, which has gotten a strong impetus from the efforts of former Vice President Nelson Rockefeller to found a Saudi Arabian investment fund to channel petrodollars into U.S. corporate equities (see below), complements the Schmidt-Giscard attempt to resume the North-South dialogue between advanced and developing nations.

The principle involved in both cases is that recovery of the international monetary system depends on increasing levels of advanced sector industrial output, which in turn demands a political commitment to develop expanding markets for exports in the developing world. From this vantage point, Schmidt, Giscard, and other European leaders have scheduled a meeting with Jamaican President Michael Manley and other Third World spokesmen to be held in Kingston in early June.

Meanwhile, Giscard has arranged for a French-African summit for May 17 in Paris, while Chancellor Schmidt, according to the industrial daily *Handelsblatt*, is prepared to discuss formal resumption of the North-South dialogue with President Carter during their scheduled private consultations around NATO meetings at the end of this month.

The Laughable British

London's sewer press lines and the *New York Times* still have not ceased their laughable accounts of British success at pushing an "independent" European recovery based on Prime Minister Callaghan's program for hyperinflation and "supranational" agency regulation of national sovereign economies. "By far the most optimistic public assessment of the meeting came from Roy Jenkins," the *London Times* reported April 10. "He

said...he had come away from (Copenhagen) confident of a 'summer of decisions...' He had been 'encouraged, even excited' by the reception given to his ideas."

As moldy as these ideas are, it is true that the French and West Germans have adopted a tolerant attitude towards Jenkins and Callaghan's intentions to use every moment until the July summit to organize for "their" solution to the crisis, namely getting rid of U.S.-dollar-financed trade. Commenting on the Copenhagen meeting, the *Handelsblatt* European affairs correspondent stressed that the internal deliberations of the EEC are not really the forum where the fate of the world economy will be decided. Rather, the private consultations, particularly the Washington meeting of Carter and Schmidt, and France's approach to Africa, will form the arena for the key battles.

—Renee Sigerson

British 'Must Appear To Be In Control'

Despite the fact that British Prime Minister Callaghan got nowhere with his design for "concerted economic action" at the Copenhagen meeting of Common Market leaders last weekend, and that Jenkins's plan for European monetary union received a cold rebuff, the British are trying to maintain the illusion that they are running the show. Following the meeting, Callaghan proudly told the British Parliament that the Bonn economic summit now scheduled for July 16-17 will definitely include discussion of the five-point plan which he has been urging on Western leaders for the past month. Though Callaghan admitted that the participating countries were "a long way from agreement," the present British strategy, he said, is based on maintaining the fraud that everything is under their control. Other European newspaper coverage was more accurate, as the following press excerpts indicate:

Times, London, April 10:

Mr. Callaghan told journalists after the meeting that while he and his colleagues had a shared diagnosis of what was wrong with their ailing economies, they were still a long way from agreeing on the most effective remedies. "We have to look as if we are trying to get control of the situation," he said.

...By far the most optimistic public assessment of the meeting came from Roy Jenkins, the President of the Commission. He said at a press conference that he had come away from his discussions with the heads of government confident of a "summer of decisions" on closer monetary cooperation. He had been "encouraged, even excited" by the reception given to his ideas.

Times, London, April 11:

In a statement to the Commons, Mr. Callaghan announced proudly that it (the Bonn economic summit) would include discussion of the 5-point plan for "concerted and mutually supportive action" which he had been urging on leaders, including President Carter.... It was not claimed to be "Mr. Callaghan's summit" in so many words but after his recent diplomacy it was asserted that the other six Western governments had

accepted his proposals for a "world economic package."

Guardian, April 11:

British Ministers were last night congratulating themselves on a major breakthrough in world economic cooperation based upon the announcement of the date of the world economic summit... Signs are that agreement has been reached on a cooperative approach to world problems based upon proposals put to Chancellor Schmidt and President Carter by Mr. Callaghan last month. The Bonn summit seems sure to mark a major watershed in postwar economic development, whether it succeeds or fails.

New York Times, April 10, by Flora Lewis:

In a meeting here last week, the leaders of the European Common Market resolved to start a recovery plan that would reduce the community's vulnerability to the fluctuations of the dollar and to what government leaders now consider the unpredictability of American policy. And while European hopes have yet to be translated into concrete decisions, they reflect a turning point in attitudes that Roy Jenkins, the president of the community's executive commission, called "very exciting" for the long-term implications of European unity.

Le Monde, April 17, by Pierre Drouin:

To get out of the tunnel, the efforts must converge in two directions: (1) The Europeans must still agree among themselves on the conjunctural measures to be taken. This was not the case, as we saw, at the second meeting of the Finance ministers; (2) The Americans must accept a policy of rigor. William Miller, the new president of the Federal Reserve Board, recently drew up a list of remedies to dam the inflationary pressures, aggravated by the depreciation of the dollar... the deduction of the budget deficit... a brake on wage increases... the reduction of the volume of oil imports... Very unpopular measures.

Journal of Commerce, "Europeans Eyeing Enlarged Float," April 7:

The new proposal, which is to be presented to the European Summit meeting in Copenhagen, would apparently allow countries with high inflation rates (i.e., Britain — ed.) to let their currencies fluctuate by wider margins than those with lower inflation rates. This is similar to the "can of worms" idea presented some years ago by French President Giscard d'Estaing. Spokesmen for some of the European countries here were highly skeptical of the whole idea. Even if the French decided to formalize their currency links with other European countries, one such spokesman said, there doesn't seem any reason for the British to do so.

Les Echos, April 7:

More than anyone, Schmidt wants the success of the Bonn summit in July which he took the initiative for. But by July, the stage of declarations of intent can only be gone beyond if the Europeans have something to offer the United States in exchange for a monetary accord aiming at the stabilization of the dollar. And, it is already clear that the Carter Administration, in a difficult position in its own country, will not be satisfied with half measures: the new blackmail on enriched uranium supplies is per-