

Cabinet Split On Bonn Economic Plan

The saboteurs appear to be losing out to the 'pro-Europeans'

The crucial question of how the United States will respond to the European Monetary System (EMS) and related proposals put forth by West German Chancellor Helmut Schmidt and French President Giscard d'Estaing at last month's Bremen and Bonn's economic conferences is the subject of the hottest, most important political struggle yet fought within the Carter Administration.

Highly placed sources within the Administration confirm that the European leadership at Bonn strongly advocated U.S. support for the prodevelopment package advanced at Bremen.

"The Germans and French were pushing us very hard on their proposal, that it was a way to recycle petrodollars into development," the source said. "We saw it as very positive." In fact President Carter as recently as Aug. 4 of this week reiterated his approval of the Bonn-Bremen accords. At the same time, a major effort is underway by certain Administration officials, who are following an admittedly British line on this matter, to sabotage the Administration's acceptance of the pact. The same spokesman quoted above added, "It was the 'economic boys' who added on the note of caution to U.S. support for the Bremen accords."

Ever since President Carter returned from Bonn clearly impressed by the economic development perspective detailed to him by Giscard and Schmidt, the "economic boys" led by Treasury Secretary W. Michael Blumenthal, Under Secretary for Monetary Affairs Anthony Solomon, the State Department's Richard Cooper (formerly of the Brookings Institution), and White House advisor Henry Owen (also from Brookings), have been putting out a steady stream of lies about the actual content of the Bonn-Bremen agreements.

In fact, according to reliable Administration sources, these individuals have been deliberately squelching an unprecedented flood of telegrams and cable traffic which has been flowing into Washington from U.S. embassies, consulates, and businessmen, around the world, urging the Administration to embrace the Bonn-Bremen accords. Instead of transmitting the spirit of these reports to the President, Solomon has written "a special memo to Carter" which, sources say, pans the proposed European Monetary System on the grounds that it would support the dollar and would also outlaw the infamous "surveillance" procedures the IMF now imposes on debtor countries.

Defending his boss's report, an aide to Solomon complained: "The Europeans are trying to peg the dollar and remonetize gold. We're dead set against that.... We support floating exchange rates; if the dollar deserves to fall, it should fall. That's all ratified in the International Monetary Fund articles."

Appearing with Blumenthal at Senate hearings July 24, Solomon himself called for ending the dollar's reserve currency role, and lied that the U.S. will insist the EMS "be in full conformity with and in support of the Articles

of Agreement of the IMF" as a condition for its endorsement.

Abetting these treasonous efforts is Henry Kissinger, who, knowledgeable sources have revealed, has been burning up calories over the last week placing a frantic series of phone calls to influential businessmen to discuss "stopping the U.S. Labor Party" on account of its key role in the Grand Design.

Pro-EMS Climate Building

But there is no indication that Carter has been bullied into an anti-European posture. Indeed, it is known that Cyrus Vance and high-level members of the Commerce and other departments are markedly sympathetic to the Giscard-Schmidt proposals. As one State Department official commented privately today, "Those here who oppose the EMS are the same people who destroyed the Export Task Force report (a study recommending expanded U.S. exports recently submitted to President Carter — ed.) and a lot of people are furious about that. That won't happen with Bremen; the Carter Administration will have a lot of positive support for Bremen. The SDR will not be allowed to replace the dollar."

Some observers are viewing Vance's renewed commitment to achieving a Mideast peace accord acceptable to the Arabs as a sign he recognizes the paramount importance of the Saudis in making the EMS a success. In this context, a "white paper" which Senators Jake "the Snake" Javits (R-N.Y.) and Frank Church (D-Idaho) are frantically pulling together targeting the Saudis as the chief obstacle to progress in Mideast peace negotiations should be seen as an attempt to sabotage not only Vance's peace efforts but the Bonn-Bremen accords as well.

This pro-EMS climate in Washington is being accurately reflected in the building support for the Bremen proposals in the business and banking communities. On Sunday, Coca-Cola Corp. head J. Paul Austin, one of Carter's original political backers who may be under consideration as a replacement for Blumenthal, enthusiastically commented to the *Atlanta Constitution* that the Bonn and Bremen summits will produce "a good business climate." Along similar lines, a top official for a leading Chicago-based bank reported Aug. 1 that "only a small group in the Administration opposes the Bremen proposals," and predicted confidently that "the U.S. will go with it despite them."

The battle to bring the U.S. into the Grand Design is far from over, however. The next step that supporters of the EMS must take is to ensure that Carter's recent ouster of undesirables Peter Bourne, Midge Costanza, and Tip O'Neill's crony Robert Griffin at the General Services Administration — moves Washington insiders see as aimed against the Fabian wing of the Democratic Party — is extended to the real saboteurs of U.S. participation in the Grand Design: Blumenthal, Solomon, Cooper, Owen and their cronies.

—Kathleen Murphy