

Why Helmut Schmidt wants to save the dollar

Who is Helmut Schmidt, and what is making him and his associates so determined in their political commitment to the Franco-German "Grand Design?" According to the British and most of the American press, the European Monetary Fund is a scheme against the U.S. dollar, and Schmidt's "Rapallo" overtures toward the Soviet Union represent a threat to U.S. strategic interests. *Executive Intelligence Review's* first-hand report on Schmidt's political organizing activities proves that the perpetrators of that portrayal are those who really want to collapse the dollar and American policy with it.

Over the past 12 months Schmidt has created the immediate potential for a complete reorientation of the West's military posture toward the Warsaw Pact alliance. When he told the International Institute for Strategic Studies in London last year that military policy was identical with economic policy, he was dead serious. His meeting in May with Soviet President Brezhnev and the resulting 25-year economic and technological cooperation treaty has precisely this significance. Schmidt does not want to turn West Germany and Europe into a Soviet satrapy as Zbigniew Brzezinski and the British maintain; on the contrary he intends to make the Western alliance stronger than ever before by transforming its relationship to its Eastern neighbors.

Schmidt is therefore far more seriously committed to actual Western defense than madmen like NATO Supreme Commander Alexander Haig, and he indi-

cated as much at the just-concluded conference of the Atlantic Treaty Association in Hamburg. Schmidt said that NATO must begin to think of "more ways to establish trust and mutual cooperation with the Warsaw Pact, rather than thinking of ways of conflict and crisis management." The current balance of forces between the two military alliances, he stressed, must under no circumstances be "leveraged to other theaters" in the Third World: doing so, he warned, could spark a full-fledged international confrontation.

A Europe governed by the policies of Schmidt and French President Valéry Giscard d'Estaing — and not by Great Britain's deindustrialization program — is a strong and reliable alliance partner, and this is now turning into a reality. Speaking at the United Nations for all nine European Community members, Schmidt's Foreign Minister Hans-Dietrich Genscher pledged to turn Europe into a center for world economic development, and furthermore pledged to transform the United Nations along the same lines.

Helga Zepp-LaRouche, chairman of the European Labor Party in West Germany, traces in an exclusive background profile the historical roots of Schmidt's current race against time to establish the EMF before world war becomes inevitable. Accompanying her analysis, our specialists in West Germany and New York City under the direction of International Editor Nora Hamerman have assembled the key texts of the Schmidt government's peace and economic development offensive.

Set October deadline for EMF

The European Monetary System, created in July at the Bremen conference of European Community (EC) heads of state, has its de facto lending channel ready to go, according to the governor of the central bank of EC member Denmark. Opponents of the EMS now expect it to start operations next month unless they can unseat, in particular, West German Chancellor Helmut Schmidt, which appears impossible short of war or assassination. The Japanese government is in "daily consultation" with Bonn about consummating the EMS and "dealing with the geopolitical problems

affecting it," Japanese sources confirmed to this journal Sept. 27, terming the EMS "unalterable" at this point.

Meetings between Japanese Premier Takeo Fukuda and Saudi Arabian leaders in Riyadh earlier this month have produced an impressive Saudi-Japanese alliance to exchange oil for technology and "boost the dollar," as the Sept. 27 *Christian Science Monitor* emphasized in a lead article headed "Saudis stand by U.S. dollar despite strains of summit." Saudi Foreign Minister Saud al-Faisal stopped en route to the U.S.

specifically to brief Bonn and Paris officials on the Japanese-Saudi discussions of reviving the dollar and the world economy, according to the *Monitor*.

It is now clearer than ever that the EMS is the monetary and financial staging ground for a policy of drawing the less-developed countries, from the Persian Gulf to Ecuador, from Indonesia to Turkey, into a 1980s takeoff which will simultaneously see the "advanced sector" finally realizing its own potential for exponential technological and living-standard growth. Based on fixed currency parities and gold backing that allow long-term planning, investment, and trade arrangements, the EMS will use part of its planned \$50 billion European Monetary Fund to defend the dollar's spot price in the currency markets, and the rest to expand world purchasing power, through noninflationary credits for development of industry and nuclear-centered energy.

This transformation of world markets and the world labor force will provide the demand for U.S. high-technology exports which will rapidly turn around the dollar and the American economy.

Eric Hoffmeyer, who heads the Danish central bank, spelled out in Washington, D.C. (1) the EMF's intent to perform mammoth lending operations, and (2) the previously unrevealed fact that the EC's dormant European Monetary Cooperation Fund, presently capitalized at \$500 million, can at any moment be used to allocate EMS funds deposited by European central banks and governments. (For Hoffmeyer's remarks, see *ECONOMICS*.) Hoffmeyer emphasized that no lengthy disputes over parliamentary ratifications or treaty authorizations will be able to delay the EMS's operations when heads of state—that is to say, Giscard d'Estaing and the EC's financial heavyweight, Helmut Schmidt—decide to pour funds into this existing institution. His comments were privately confirmed point for point by West German officials.

"Race for time"

"A race for time" between the EMS and its anti-U.S., anti-modernization antagonists was the identical phrase used by several of the latter in recent days, pointing to October as the month of decision. Most specific was an official at the feudally inclined Geneva bank Lombard Odier. In an interview made available to *Executive Intelligence Review*, he said "the race for time" is between Schmidt and Giscard on the one hand and "we bankers" on the other; October will be critical for the EMS's institutionalization, which "we" don't want. Tighten interest rates enough in the U.S., he proposed, and the dollar will stabilize, making the EMS's help unnecessary. Meanwhile, France and Germany can be deterred if "we speculate against their currencies," an absurd option clearly meant as a code phrase for attacks against those governments themselves.

The British Exchequer, which has outspokenly opposed the EMS since it failed to sabotage the latter's

inception at Bremen, is trying to make the EMS an adjunct to the IMF. U.S. Treasury Undersecretary C. Fred Bergsten, who during his Brookings Institution career promoted the reserve role of both the pound sterling and the SDR against the dollar, expressed the Treasury's collaboration with the Exchequer in statements to an Airlie House, Va. conference. The conference was sponsored by the U.S. government and the Brussels EC commission. According to the Sept. 25 issue of the West German business daily *Handelsblatt*, "C. Fred Bergsten, U.S. Treasury Undersecretary, emphasized the U.S.'s right to pose questions to the Europeans. . . . Bergsten repeated the already-known Washington criteria: the system must be neither deflationary nor inflationary, not directed against the dollar, not mean circumvention of the IMF agreement regarding strengthening the role of the SDR in a reformed currency system, not obstruct in any way the demonetization of gold or the intensification of exchange-rate surveillance by the Fund, not circumvent the Fund as chief lender of conditional international liquidity, and not result in any additional controls on currencies. . . ."

To hear a Treasury dollar-wrecker informing the U.S.'s creditors that they may not rescue the dollar against IMF wishes must have been quite memorable.

UK wants to derail EMS from within

Financial Times of London, "The Shaping of EMS," Sept. 25:

Mr. Denis Healey, it seems, has yet to learn the elementary lessons of negotiations. . . . It quickly became clear . . . that a system of some kind would go ahead with or without British participation. From then onwards there was only one sensible course for the British Government to take. That was to declare a commitment in principle and to seek to negotiate the best possible terms. . . . It has been argued that (the EMS) might seem anti-American or even undermine the IMF. Yet the way to prevent either of those contingencies is to have an influence from the start. . . . The French and German determination behind EMS is such that it will simply go on without us, while at the same time making our relations with the Community on other matters more difficult. . . .

The Times of London, "'Tactical errors' by Britain over European money system," by David Blake, Sept. 25:

. . . (On) a long list of mistakes (Britain) is felt to have made in dealing with the scheme . . . the next mistake is said to have been an over-estimation by the Treasury of the importance of official opposition within Community countries to the proposal worked out by Herr Helmut Schmidt, the German Chancellor, and President Giscard d'Estaing of France. . . . A lack of recognition that the scheme was certain to be implemented is thought to have led the Treasury to take the wrong tone in negotiations.