

two nations. They agreed that the Carter Administration's weak-dollar policy would have to be reversed from outside, by a *coup de main* that would start foreign-held dollar recycling in the form of development credits, issued by Europe and Japan, stabilize the dollar, and energize the U.S. opposition to Blumenthal and Brzezinski.

Schmidt himself described the aim of the visit to journalists Oct. 2 as "seeking to improve relations with Japan for the purpose of demanding that the United States fulfill its responsibility as the leading economic power of the world," which, he added, requires straightening out U.S.-Soviet relations.

BBC commentary on Schmidt's Tokyo speech was immediate. The Chancellor "omitted crucial

questions on whether the EMS is merely monetary, or as now emerges in discussion, also involves restructuring the national economic policies of the member nations," the British broadcasters complained. If this is behind Schmidt's campaign for the EMS, intoned the BBC, we would only become an adjunct of the West German economy; Britain will not take that road.

Switzerland is ready to join the EMS, however. Swiss Economics Minister Fritz Honneger announced "the Confederation is ready to do everything required to be in a position to associate itself with the (European) Community's undertaking," in a statement reported by *Le Figaro* Oct. 10. French Economics Minister René Monory has gone to Berne to pursue the subject, preceded by European Commission President Roy Jenkins. Jenkins is a clamorous advocate of UK membership in the EMS in order to try to weight the system toward International Monetary Fund principles. He may no longer imagine he can make Swiss gnomes a partner in such an effort, given the UK's manifest weakness on the one hand and on the other the increasing mobilization for Schmidt's version of the EMS by West German businessmen, who have real clout in Switzerland when they care to use it.

The West German banks have lined up behind Schmidt for the first time since July in a really forceful way. The Bundesverband Deutscher Banken (German Banking Association) placed a large advertisement in the Oct. 11 *Frankfurter Allgemeine Zeitung*, headlined "Those who want currency stability will have to gather all the participants under one hat" — with a sketch of Schmidt's famous Hamburg sailor's cap. "Like every import-export firm, industrial nations like the Federal Republic have a stake in stable currency exchange rates. . . . Because we private banks finance 80 percent of German exports, we know the problems caused by divergent rates. We say: whoever wants stable currency rates has to bring economic policy under one hat internationally" — a timely message from an association which in former times strongly opposed the de Gaulle-Adenauer alliance and the formation of the Common Market. Hermann Abs, senior economic statesman and a key Schmidt advisor, was doubtless one of those responsible for the BDB's new stand.

Another financial-industrial leader and Schmidt supporter, Otto Wolff von Amerongen, has made a series of explicit statements on the policies of the EMS. He told the International Chambers of Commerce gathering at Disneyworld in Orlando, Fla. this month that the order of the day is high technology exports — and concessionary interest rates will soon permit a sizeable expansion of East-West trade and the multiplication of large contracts. On Oct. 11, von Amerongen reiterated on a Süddeutsche Rundfunk radio interview that the basic policy of West German industry is technological advances and high-technology exports. This, not "transitory" interests,

The Miyazawa Plan

At the beginning of this month, the Tokyo *Asahi Evening News* explained to its readers that the EMS "is a regional variation of what some people call the Miyazawa Plan; this may explain Finance Minister Murayama's comments welcoming the EMS."

Kiichi Miyazawa is a former foreign minister who supported Secretary of State William Rogers's Mideast development effort during the Nixon Administration and now heads Japan's Economic Planning Agency. Miyazawa has been a consistent advocate of "a return to the old system of fixed exchange rates." It was he who proposed right after the Bonn summit in July that the Japanese central bank deposit its excess dollar holdings with Japanese banks and the Ministry of International Trade and Industry, which has, during 1978 thus far, converted them into over \$7 billion in largely long-term, low-interest development loans abroad, according to the Bank of Tokyo.

Just before the EMS was formed, moreover, the Mitsubishi Research Institute published an impressive proposal (translated in full in the *Executive Intelligence Review*, Vol. V, No. 34) for a \$500 billion dollar development fund for global infrastructure, energy, and industrial projects, on the order of "greening" the world's deserts: It was this bold mentality that Schmidt invoked in his Oct. 11 Tokyo speech — stressing that "the dimension of structural change demands new inventiveness and broad financial outlays." A just-released special report on OPEC by the largest West German bank, the Deutsche Bank, reports that the latter alone holds 7 percent of OPEC reserves as deposits — and specifically foresees the Mitsubishi \$500-billion magnitude of international development projects emerging in the near term.