

4. Schmidt, Fukuda allied for the Grand Design

When French President Giscard remarked that "looting the weak is not winning" (above), he knew well that the current economic strategy of the Carter Administration is in essence identical to that of the International Monetary Fund: plundering both the underdeveloped nations and the United States itself. Over the last six months institutionalizing an alternative to the IMF, in the European Monetary System and its European Monetary Fund, has been the primary responsibility of Giscard and his allies, Schmidt of West Germany, Japan's Fukuda, and the as yet silent partners in the East bloc and the Arab world.

This alliance was forcefully presented to the West German population on Oct. 17, when Fukuda made a half-hour presentation on national television there. Fukuda stressed the common interest in science and technology that had united West Germany and Japan from the time of the Meiji restoration of the 1870s and, in elaborating the perspective of economic cooperation and stability Schmidt and he had agreed on in their recent meeting in Tokyo, stressed the fundamental common interest of the United States in joining the West German-Japanese alliance for the Grand Design epitomized in the European Monetary System.

This had also been the theme of talks between Schmidt and Fukuda when the two leaders met in Japan during Schmidt's Oct. 9-12 state visit to that country and to Singapore, undertaken to expand participation in the EMS far beyond Europe. Although the Japanese have not yet formally stated their desire to participate, it is known that Schmidt and Fukuda discussed an informal "Bremen East" agreement (after the Bremen summit of European heads of state that drafted the EMS plan), as the vehicle for integrating the Tokyo capital market into the long-term, low-interest development system that will be the EMS's chief concern. Unofficially, the Japanese are already participating in an EMS-style development fund that aids dollar stability by taking inflationary Eurodollars out of speculation and putting them into long-term development projects in Asia.

The Schmidt-Fukuda communiqué: The EMS, peace, and development

"...4) Chancellor Schmidt and Prime Minister Fukuda had a thoroughgoing exchange of views on questions of international and regional policy, the international economic and monetary situation, the current state of

the North-South Dialogue, and German-Japanese relations. They found that their identical evaluation offers good prospects for future German-Japanese cooperation; both sides confirmed their determination to cooperate for the benefit of the world, towards securing international peace and development of the world economy.

Both agree that it is very desirable to further intensify the trilateral cooperation between Europe, Japan and the United States.

The Prime Minister and the Chancellor emphasized that both countries are determined to bear their great responsibility for peace and stability in the world, and especially in their respective regions.

The Chancellor and the Prime Minister have stressed the vital significance of the further development and unhindered peaceful use of nuclear energy as a reliable alternative energy source, in harmony with the principles of the Non-Proliferation Treaty.

With regard to the combating of international terrorism, both sides emphasized their determination to carry out the declaration made at the Bonn Economic Summit. (Emphasis added— ed.)

The Prime Minister recognizes that the Federal Republic of Germany has made a great contribution to the process of East-West detente in Europe on all levels, in the multilateral as well as in the bilateral framework, and that it also plays an important role in the establishment of a united Europe in the political, economic, and other fields.

Chancellor Schmidt greeted the most recent developments in Asia, including the Japan-China Peace and Friendship Treaty, as a significant contribution to the preservation and consolidation of peace and stability in this region, a contribution which can have beneficial effects worldwide. The government leaders also exchanged views on the problem of establishing peace in the Mideast, and on the situation in Africa. Japan and the Federal Republic of Germany stated their determination to continue to make every effort toward the securing of world peace.

"5) The Prime Minister and the Chancellor confirmed their countries' important role for the world economy and unanimously stressed that the democratic industrial countries must strengthen their efforts in the spirit of the Bonn Economic Summit and intensify their international cooperation, in order to achieve stable development of the world economy, and especially to achieve continuous, inflation-free growth and a better employment situation in the economies of the industrial countries. Both government leaders stressed their determination to counteract protectionism and to expand world trade, and emphasized in this connection the great significance of a successful conclusion of the Tokyo Round by Dec. 15, 1978.

They furthermore agreed that it is indispensable for the goal of the stable development of the world economy, the stability of the international monetary

Two views of the Schmidt-Fukuda talks

From the French Les Echos, Oct. 11:

... The two men do not lack topics for discussion. If one believes the official communiqué, the first talks yesterday were about the role played by the ASEAN states, an organization supported in its efforts by the Japanese government, and the relations of both countries to the Soviet Union, in light, on the one hand, of the Soviet-German economic accord concluded last May and on the other hand, the Japanese difficulties with Moscow after the signing in August of the Peace and Friendship treaty with the People's Republic of China.

But for the Japanese leaders, Helmut Schmidt is a very special visitor: he is the first Western leader in a long time who did not go to Tokyo simply to complain about his trade relations with Japan. Not that they are without problems, but the Bonn authorities are in the community of those who are by far the most considerate to Japan. Japan and Germany thus insist on their common concerns — the international monetary disorder will effect them in a similar way and force them to envision solutions

From the London Guardian, "Economic 'enfants terribles' in search of a new image," by John Palmer, Oct. 13:

Chancellor Helmut Schmidt of West Germany, on an official visit to Japan, has been telling his hosts how similar the two nations' problems in world affairs are.

All the more reason then, Why Mr. Schmidt will

have been embarrassed by one remark made during a speech of welcome in Tokyo this week by the former Speaker of the Japanese National Assembly, Mr. Shigesaburo Maeo. Toasting Chancellor Schmidt and pointing to some of the similarities between Japan and West Germany, Mr. Maeo said: "It was unfortunate that both our countries were defeated in the last war."

Neither Chancellor Schmidt nor the Japanese Prime Minister, Mr. Takeo Fukuda, need reminding that any formal get-together will cause something of a shudder to those who remember the wartime axis which united Berlin and Tokyo. Both men have repeatedly stressed that such an association of ideas is unfair and wildly inaccurate as a description of the objectives and intentions of either Government today.

Even so, the official visit to Japan of the West German leader does focus attention on the implications of the understanding between the capitalist world's two economic *enfants terribles*.

Replying to Mr. Maeo's somewhat unfortunate comments, Chancellor Schmidt underlined that the West German and Japanese Governments looked at the world from similar viewpoints, but added: "We do not seek to be world powers but we have to work hard to maintain stability."

It seems that both are working on ideas for an "understanding" between very blocks of currencies — for instance those linked to the new European system, those linked to the dollar and the potentially significant number of Far Eastern and rapidly industrialising nations who might want to link to the Japanese yen

situation and especially of the major currencies, that these countries work to reestablish a balance in international payments balances.

Chancellor Schmidt detailed the current state of the various projects done within the European Community over the past six months under German chairmanship, especially the steps made toward the establishment of a new European Monetary System. Prime Minister Fukuda greeted the fact that such a monetary system would contribute extensively to stability not only of currencies in Europe, but also of international currencies.

"6) The Prime Minister and the Chancellor confirmed their intention to participate in the current North-South Dialogue between the industrial and developing countries, whose function is to promote the economic growth of the developing countries and to fulfill basic human needs, and to make continued efforts toward a just and harmonious economic order.

Both government leaders acknowledged the importance of actively continuing the negotiations on a Common Fund, with the goal of a successful conclusion, and discussed in detail various systems for stabilizing the export income of the developing countries. . . ."

Schmidt on the EMF

One of the high points of Chancellor Schmidt's official visit to Japan was his speech, "Structural Changes Must Not Stop At Our Borders," delivered to the Japanese-German Society in Tokyo on Oct. 11, in which he explained why the European Monetary System must be realized:

... How do we establish world monetary relationships? This can only be done if each country following the

outlines of its responsibility, makes a contribution. The form this would take would be appropriate economic, monetary and credit policies, an appropriate foreign-trade policy, and an energy policy too.

Europe's contribution involves the establishment of the European Monetary System. This System will stabilize monetary relations among the European countries, and in this way support and promote interdependence in the European Common Market ...

We view the European Monetary System as a European contribution to stabilizing the world monetary system. To the extent that the causes of monetary disturbance in recent years comes from Europe, we wish to eliminate them. The new monetary system will facilitate and improve commercial relations of the European Currency Area with those partners in trade who are non-European

“Detente and the North-South conflict”

The speech excerpted here, outlining the Federal Republic of Germany's position on major foreign policy and development issues, was given by Alwin Brueck, Secretary of State in the Ministry for Economic Cooperation, on Oct. 13 in West Berlin. The Carter Administration would do well to study Brueck's remarks.

... In view of worldwide problems, East-West relations today cannot be considered to be nondangerous ... too much is being spent on arms, as opposed to economic development ...

Foreign policy cynics think that they are secure in their opinion that the demands and problems of the Third World do not have to be taken seriously ... But there is the mistake. It is precisely at the moment when the solidarity of the Third World begins to break down under these tensions that detente is affected. Civil war in Angola, but also in Ethiopia and Somalia, has again drawn in the world powers. This has led to problems in East-West detente and made disarmament efforts even more difficult. What do these internal conflicts have to do with the North-South conflict? Allow me the following hypothesis:

Civil wars occur when there is a sharpened struggle for distribution in a situation of scarcity. This is the breeding ground for radical political groups from left and right....

If we want the Third World to become a real partner for creating a world order of peace, then we must contribute to assuring that the material preconditions for their assuming such responsibilities are created We should not attempt to reach special agreements with the weakest members of the Third World in order to break them out of solidarity with the Third World. That leads to no good, and can only unleash chaotic reactions from others.

Whoever wants to retard the cooperation of the Third World among its members to get short-term advantages will be destroying the changes for a real partnership for the future, a partnership in forming world peace. This attempt would also endanger detente over the long term. The hopes for disarmament would be gone, and the greatest waste in the history of mankind would be unstoppable.

5. D-mark hike clearing the path for EMS

After the close of the European Community finance ministers' meeting in Luxembourg Oct. 16, West German Chancellor Schmidt summed up the state of the new European Monetary System, which was inaugurated at last July's Bremen summit: "I have no doubt," Schmidt declared, "that the finance ministers will complete a working system by the end of the month."

This puts the EMS ahead of the official schedule, which anticipates detailed texts to be submitted to Community ministers in mid-November, with a heads-of-state conference in early December to tie up the package.

The Luxembourg finance ministers' meeting reaffirmed the September decision to peg members' currency parities directly to each other in a so-called grid arrangement, rather than to a shifting "basket" of component currencies. In other words, it showed once again the determination of EMS architects Schmidt and French President Giscard to move rapidly toward an international fixed-rate system.

Devaluation to judo London

The second key public implementation move was the preemptive Oct. 15 decision to moderately upvalue the deutschemark against other currencies in the present joint-float European "snake." The revaluation was termed "a good starting point" and "a good omen" for the EMS by West German Bundesbank chief Otmar Emminger and West German Finance Minister Hans Matthoefer. EC finance ministers agreed to raise the mark's value 2 percent against the Dutch, Belgian, and Luxembourg currencies and 4 percent against those of Denmark and Norway.

A spokesman for the Bundesbank told the *Executive Intelligence Review* that the measure was intended to judo speculation-fueling London rumors that the mark would be heftily upvalued across the board as a concession to Britain. The London Exchequer as been haughtily demanding such a move in contradistinction