

Schmidt makes the EMS global

A triumphant Helmut Schmidt told the press Nov. 1 that with Italy officially slated to join the European Monetary System (EMS) following the talks he had just held with Italian Prime Minister Giulio Andreotti, and the new U.S. resolve to strengthen the dollar he had helped to shape, prospects are "rosier than ever" for the EMS to be officially instituted at the Dec. 4-5 meeting of the European Community heads of state.

These developments shows the leaps in the past several days in the scope of the EMS and the velocity of its dollar-stabilization plans. Italy received a \$500 million loan to its state industrial sector from a group of Swiss and West German banks, headed by the development spokesman Dresdner Bank to facilitate EMS entry, plus a slight easing of the lira's "grid" peg to other currencies. Expressing his "delight" at Italian membership, Schmidt said, "I came to Italy to see the great monuments of Italian humanism."

There is more: new EC technological-development negotiations with Western Africa and the ASEAN group of Southeast Asian countries. The whole point of

consolidating Europe behind the U.S. and drawing in the U.S. is precisely to launch top-down, coordinated, long-term development of the world as a whole.

Schmidt said in so many words to the German Banking Association Oct. 27 that the EMS is "the basis for a new *world* monetary system." It was extremely important that Gerhard Stoltenberg, governor of Schleswig-Holstein, followed Nov. 1 with a call for worldwide negotiations to extend the EMS globally in the interests of monetary stability. Stoltenberg, interviewed in the *Kölner Rundschau*, is a key leader of the opposition Christian Democrats and industrial spokesman.

West German financial figures including emeritus Deutsche Bank head Hermann Abs and senior development spokesman Alex Moeller, a former Social Democratic finance minister, have been in the U.S. in recent weeks privately informing U.S. businessmen about this fundamental EMS direction and insisting on dollar support. Fortune 500 corporations and business associations have quickly

Schmidt on the EMS, detente, and the Atlantic Alliance

These excerpts from an interview with West German Chancellor Helmut Schmidt that appeared in the Oct. 31 Christian Science Monitor show Schmidt diplomatically outlining the dramatic EMS-U.S. dollar recovery package announced the next day. Schmidt also indicated his desire for "a strong Atlantic alliance" that would draw the U.S. into the Grand Design for East-West, North-South economic and political entente.

A: My basic aim has been and will be to keep the ship of state on a steady course. The top priorities in foreign policy are four: 1. Maintenance and further development of a strong Atlantic Alliance. 2. Further evolution of the European Community. 3. En-

hancing peaceful East-West relations. 4. Contributing to better economic and political partnership in relations between industrialized countries and the Third World.

Q: What do you see as the cause of the continuing drop of the dollar? . . .

A: I think we should not concentrate on the spot movements of dollar exchange rates just over the last couple of days. I think the problem needs judgment in a wider context. . . .

The one benevolent effect I am hoping for in the future is that the greater volume of the combined European currencies will help to flatten out the most volatile movements of the dollar.

Q: How soon would you expect this effect? In the short or the long term?

A: The flattening out of the most volatile movements will occur rather quickly after the new European scheme has become operable.

Q: Would you be willing to see a higher inflation rate in Germany to try to harmonize European countries?

A: No. I would like to have the economies harmonized by lower inflation rates in other countries. All these governments in Europe are now striving for lower inflation rates, and they all have had some success in that field. I welcome this.

Q: Do you think that Europeans understand Mr. Carter now better than they did a year ago, and vice versa?

A: . . . I would subscribe to the whole sentence. But don't delete the words 'vice versa'. . . .

dispatched representatives to West Germany, in turn, to get an accurate picture of the EMS.

Toward an International Development Bank

The EC-ASEAN meeting is intended to sign up an economic development alliance between Europe and Southeast Asia, an alliance already implicit in Japan's associate EMS membership as of last month's summit talks between Schmidt and Japanese Premier Takeo Fukuda. Tokyo weight gives the impetus for progress in the region, and the scope of EMS trade and investment will permit Thailand and Singapore in particular to dispense with their drug-money financial channels.

Europe's West African initiatives now open a second front in the war for development. Yesterday, ahead of the upcoming conference, an unexpected agreement emerged in Bonn to build a billion-dollar irrigation project in the Sahel "starvation belt." Chief financing will come from Saudi Arabia and the EC.

The project was clinched at a meeting of Senegalese President Leopold Senghor, Mali's President Moussa

Traore, and the Planning and Finance Minister of Mauritania, Mohammed el Moktar Zamel, with Chancellor Schmidt, West German President Scheel, Foreign Minister Genscher, and Development Minister Offergeld. This marks the first real technological contribution ever toward reversing the region's famine and backwardness; it is a moving lesson to Washington, D.C. on what the EMS is and how African policy should be conducted.

The Saudis made a political choice to participate publicly and jointly with the EC in a large-scale development project, rather than the quiet charities they have performed in the past. This sort of action reflects the ongoing planning between the Arab Monetary Fund and the EMS's emerging European Monetary Fund, now projected to administer as much as \$200 billion in European reserves alone. And as the THIRD WORLD section of this journal reports, Saudi Arabia has for the first time openly announced its support for a gold-backed world monetary system with fixed currency exchange rates.

Nixing the 'invisible hand'

The following comments on international economics, which appeared in the West German business weekly Wirtschaftswoche were originally delivered in an Oct. 3 speech to the Economic Administration Society by Dr. Dieter Hiss, president of the West Berlin regional central bank and an EMS implementor for Chancellor Schmidt.

... The fastest aid against exaggerated dollar weakness can assuredly come from the realm of so-called bridging measures. These include cooperation among central banks in the currency markets and the readiness of the American Administration to responsibly stand up and defend the dollar in the markets, as well as a policy of appropriate reductions in the interest-rate differentials between the major currencies.

... Improvement of the

international competitive position of the U.S. in international trade (is required to improve the dollar "fundamentals") on the basis of exchange rates and special export promotion. . . . Along with every partner in the world economy, we will have the advantage that such a development will renew confidence in the international monetary system. More significant than any tougher competition in world markets would be if the functioning of its key currency were halted by the constant erosion of the world monetary system. This would also mean that other currencies, even against their will, have to take over a greater and greater portion of the dollar's function as an international currency. The evolution would accelerate toward a system of multiple national reserve currencies. . . . Those who expect a return to the days of control not by governments but by the "invisible hand" will therefore have to reconcile themselves to waiting.

West Germany: U.S. had better follow through

Handelsblatt, (West German financial daily), editorial, Nov. 3:

... The resulting dollar rise is surely unprecedented, but it does not mean trust has been restored in the U.S. administration. Unfortunately, the program is not a significant shift in U.S. economic policy thinking, but more likely a result of high-level BRD, Swiss and Japanese pressure on the Carter Administration and Blumenthal. . . . The danger is that if the U.S. doesn't use the funds supplied through the swap, the Federal Republic and others would be forced into acting on the Swiss example, using all available funds to set a dollar-deutschmark rate. But this would also be a capitulation on (West German) monetary growth policy, causing terrible inflation.