

tem, an expression of common choices and commitments of all the countries of the EEC to common objectives for growth. This would undoubtedly be the best solution.

The second is that of postponing Italy's entry together with Great Britain, continuing to negotiate on the basis of a unilateral or plurilateral political commitment, whichever would carry out the conditions laid out by the government so many times before Parliament, which could bring together the entire (Italian government) majority and perhaps strengthen it in the face of difficult tasks that await it....

Pandolfi: We can't miss the EEC boat

Italian Finance Minister Filippo Maria Pandolfi declared that Italy adhered "in principle" to the EMS,

in a Dec. 3 article in the daily Corriere della Sera, entitled "We Can't Miss the EEC Boat."

...The Italian position in the course of the (EMS) negotiations is oriented towards a configuration of the new monetary system to reflect the following fundamental requisites: to result, above all, in a realistic and long-lasting system, in as much as its failure would have serious repercussions on the functioning of the international monetary system, on the future and on the possibility of advancing with the economic construction of Europe and on the conditions in the individual countries; to include all the EEC currencies, in order to avoid accentuating the differences in the working of the various economies;... to be supported, finally, by financial accords that are broad enough to create a real European Monetary Fund...

We must remember that the last condition for Italy's successful participation in the European monetary integration is the same condition that holds for reaching the internal objective of stable growth. If we don't improve the conditions of our economy, we will not reduce the difference in increase of prices and the cost of labor between us and the other EEC countries — conditions on which we can reach a greater strictness of exchange.

The European appointment raises the stakes in this challenge. If we fail in our internal objectives, we add to inflation and unemployment the economic, political and cultural injury of relations with Europe that are precarious to the point of disappearing. If, on the other hand, we are successful, our position will be reinforced and ultimately guaranteed.

4. How the EMS was built

For regular readers of Executive Intelligence Review, the European Monetary System was well understood long before its formal establishment on Dec. 5. Over the past six months, our coverage of the EMS has been the most comprehensive in the world, with our regular news coverage and press surveys backed by exclusive interviews with leaders in the formation of the new system and regular analyses by Lyndon H. LaRouche, Jr., whose 1975 International Development Bank proposal is widely credited with helping inspire the EMS.

In the following we present a summary recap of the evolution of the EMS, as we documented the process, that will be a useful refresher and reference for regular readers, and an invaluable eye-opener to all those who just got the news.

MAY 6: THE BONN-MOSCOW PACT 'The Deal of the Century'

The cornerstone of the initiative, and the first major benchmark in its realization was the historic set of

agreements signed May 6 by Chancellor Schmidt and Soviet President Brezhnev.

The 25-year treaty between West Germany and the Soviet Union provides for cooperation between the two countries in industry, mining, science and technology, and nuclear power and energy research and development of an unprecedented scale and depth, including the highly significant stipulation for joint cooperation in all these areas in third countries. The huge scope of the accords implies the necessity of participation of Western Europe, Japan and the U.S. in carrying out the provisions. The commitment to long-term state credits for trade at Most Favored Nation status between the two nations makes the pact a springboard for a broad effort of the industrialized nations as a whole to undertake massive technology transfers to the Third World, and move to fashion a new monetary system based on that commitment.

The strategic significance of the pact and its importance as the key foundation-stone for the EMS and broader "Grand Design" effort is its explicit premise that economic and scientific cooperation and growth is the only serious war-avoidance policy. Chancellor Schmidt and President Brezhnev both emphasized in

their joint communiqué of May 6 that "the lessons of history and responsibility for peace" confirm their common conviction that only the road of detente can secure humanity's future.

With the conclusion of the Bonn-Moscow Treaty the "Grand Design" process guiding the EMS was launched. A flurry of diplomatic activity ensued, highlighted by the state visit beginning May 17 of Mexican President Lopez Portillo to the Soviet Union, and the conclusion of far-reaching accords for scientific cooperation, trade and nuclear and oil technology transfer between the leading Third World government and the Soviet Union.

Similarly, at a May 22-24 conference of African heads of state in Paris, French President Giscard d'Estaing elaborated a perspective for the industrialization of Africa in cooperation with the East bloc.

MAY 22-26: INTERNATIONAL MONETARY CONFERENCE 'The Counterthrust'

The counterthrust to the sweeping East-West, North-South peace and development drive was mobilized immediately under the direction of former Secretary of State Henry Kissinger and a handful of his consorts among City of London bankers. Fresh from the antics in Zaire's Shaba Province, Kissinger led the charge with a broadside against U.S. participation in East-West trade and Third World industrialization at the annual private-sector International Monetary Conference in Mexico City.

Anglophile U.S. Treasury Secretary Blumenthal's keynote address to the same conference baldly counterposed IMF "surveillance" of national economies — what he called, the "cornerstone of a new system" — to the detente and development orientation of Schmidt, Giscard, and Brezhnev. Blumenthal, flanked by Lloyds Bank chairman Sir Jeremy Morse, attacked Germany and Japan and demanded their capitulation to the demands of British Chancellor of the Exchequer Denis Healey to cut back exports and reflate, threatening a further dollar devaluation as the penalty for resistance.

JULY 6-9: BREMEN AND BONN SUMMITS 'Schmidt Takes Charge'

A fierce battle raged throughout the month of June in anticipation of the July 16 Bonn meeting of Western heads of state, during which time Chancellor Schmidt and President Giscard collaborated to successfully defeat the British demands for trade cutbacks, reflation, dollar-dumping and austerity and lay the

basis for their own EMS proposal.

Carrying a Saudi Arabian mandate and other weighty support Schmidt and Giscard took charge at the pre-Bonn Bremen meeting July 6 of European heads of state where they won agreement to their plan for a European Monetary System, "the seed crystal for an institution that will replace the World Bank and International Monetary Fund," as one West German official put it at the time.

The London *Times* was left to complain ruefully on July 20, after the success of Bremen had broken open the controlled environment of austerity and trade war of the Bonn meeting, that "the Schmidt-Callaghan Grand Design was hijacked on the way to Bremen and became the Schmidt-Giscard Grand Design."

To the dismay of British Chancellor of the Exchequer Denis Healey and the American Anglophiles, Bremen shaped the Bonn Summit to produce two highly significant results that further shaped the Grand Design initiative. The final communiqué stated unequivocally that "the further development of nuclear energy is indispensable and the slippage in the execution of nuclear power programs must be reversed," significant at a time when both the Soviet Union and Japan already have large-scale proposals on the table for nuclear fusion and other advanced energy process collaboration, and marking an important victory for Schmidt-Giscard over the Anglo-American "nonproliferation" policy.

Equally significant was the unanimous adoption of an emergency resolution presented by Chancellor Helmut Schmidt to "combat international terrorism" by cutting off all air traffic to and from countries which fail to act against airline hijackers or refuse to extradite terrorists, a direct challenge to the brazen British use of the terror weapon against prodevelopment, prodetente forces.

AUG. 10: EMS IS IDB

As the momentum built around the Schmidt-Giscard initiative, drawing in firm political and financial cooperation of the Arab nations and others, it became increasingly apparent, as *EIR* had reported, that the EMS was no mere technical arrangement, that it was indeed the kernel of a new world economic order.

That order was to be based on rapid industrialization of the Third World and East-West trade, a strong dollar bolstered by the corraling of the Eurodollar market into productive long-term investments, a return to the gold-exchange standard and fixed rates, and a commitment to nuclear energy development.

On Aug. 10, *To the Point International* stated publicly what had become the buzzword of financial and political circuits: the EMS was modeled along the lines of U.S. Labor Party Chairman Lyndon

LaRouche's International Development Bank proposal.

By late August German officials were stating openly that the EMS was intended to "out-dimension the International Monetary Fund," in the words of West German Finance Minister Hans Matthoefer.

SEPT. 14-15: THE AACHEN MEETING 'In the Tradition of Charlemagne'

"There is now no chance of the system being watered down or postponed," a frustrated London *Sunday Times* admitted, following the Schmidt-Giscard meeting at Aachen. "The Franco-German partnership has virtually taken over the running of Europe." Held to work out final details of the EMS plan and cement the Franco-German entente basis for collaboration, the Aachen meeting settled the Jan. 1 implementation date once and for all. More importantly, for a meeting held at the seat of Charlemagne's empire which turned Europe into a force for progress in an earlier age, France and Germany showed the world the scientific, industrial, and energy policy for which the EMS is about to provide the monetary and financial underpinnings. Three new Franco-German programs were announced at Aachen: 1) a new university for scientific, technical and economic studies to be located on the border; 2) a joint undertaking in space exploration, and 3) a series of nuclear fission power plants which will, both leaders said, epitomize both nations' commitment to nuclear energy.

This is the essence of the EMS policy as Schmidt and Giscard have shaped it. In calling for a world "offensive against Malthusianism," the French press has made explicit the global intent of the EMS otherwise manifest in the web of North-South and East-West trade and investment arrangements and plans that are the sinews of the EMS initiative.

OCT. 9-11: SCHMIDT-FUKUDA TALKS 'Bremen East'

"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, toward securing international peace and development of the world economy...."

Chancellor Schmidt's state visit to Japan on Oct. 9 was returned by former Japanese Prime Minister Fukuda on Oct. 17. As reflected in the communique from Tokyo, the extended talks centered on world economic leadership, and the maintenance of peace and economic growth. Japan has already implemented what can be a model for the EMS "clearing house" operations for footloose Eurodollars. The Tokyo capital market has been set up to channel inflationary Eurodollars out of speculation and put them into long-term development projects in Asia. Both nations' outspoken commitment to the development of nuclear energy sources was spelled out in their communique, as was their common commitment to uproot terrorism, and an explicit determination to work to expand world trade. Fukuda greeted the fact that "such a (European) monetary system would contribute extensively to stability not only of currencies in Europe, but also of international currencies."

NOV. 1: THE SIENNA DISCUSSIONS 'Italy Announces It's Joining'

Following discussions of Prime Minister Andreotti and Chancellor Schmidt in Sienna, Italy on Nov. 1, Italy announced it would join the EMS.

The Chancellor's official economics spokesman Armin Grünwald spoke frankly with *EIR* correspondent Muriel Mirak at this time on the theory of the new economic organization.

Ridiculing the Hobson's choice of "inflation or deflation" as incompetent economics, Grünwald vigorously stressed the benefits the system would yield for the entire world community, and took particular aim at the nonsense claim that the EMS was an "antidollar bloc":

"The EMF was not intended by President Giscard and Chancellor Schmidt to bring the dollar down. It would be silly if that were the case. For months, and even years, they have been trying to make clear that the devaluation of the dollar, even though it might appear profitable for economic growth within the USA, is a danger for world trade and for economic development — in the advanced economies, not to mention the developing countries. Now, it would be wholly contradictory if Chancellor Schmidt, who has been trying to make clear to responsible U.S. officials that a devaluating dollar is a danger to the Western World, should invent a system which would perpetuate this dollar devaluation."