

Nonexistent in 1965, industrial cooperation has taken an essential part in our relations. Projects of great scope have already been realized, whether it be the construction in Issoire by a Soviet company of the world's largest matrix press, or the construction in the Soviet Union of chemical plants, cellulose production units and, soon I hope, a powerful aluminum factory.

Scientific cooperation has greatly developed in such fundamental fields as nuclear energy, space, and computers....

**October 12, 1976 interview with Moscow correspondent of French TV station no. 1 broadcast throughout the U.S.S.R. (a week earlier an interview with Brezhnev was broadcast across France).** ...When two countries like the Soviet Union and France have cruelly suffered and suffered in fact side by side the trials of the last war, they share the same attachment to the cause of peace. And the policy that leads to peace is the policy of detente....

Detente is not only the state of nonwar, or the absence of war. Detente must also be the will to live together and thus to accept our differences....

The second aspect is the contribution we must all bring to development. ... This is why France took a position in favor of the search for a new international economic order. ... And we find this same concern in the Soviet Union, since like us it participates in the United Nations work on commerce and development...

**June 21, 1977 address in honor of Brezhnev during his Paris visit.** ... By refusing to yield to the climate of distrust and confrontation of the post-war era, by being the first to resolutely set out on the path of detente, France and the Soviet Union set an example....

France and the Soviet Union must consult together and draw the necessary conclusions as to the danger that nuclear weapons proliferation would represent for humanity. They are thus all the more qualified to affirm at the same time their willingness to meet the requirements of many countries that are acceding to the peaceful uses of atomic energy. The technological capacity of the two countries, along with their sense of duty toward the international community, entitles us to propose this approach which is both positive and responsible....

This is true for the Middle East, where our two countries could do much to encourage a just and lasting settlement whose principles they have defined in similar terms, a settlement awaited by the peoples of that part of the world who want to be able to devote themselves in safety to their economic and social progress....

France expects much from the Soviet Union, with its riches, its capacities and its influence, is in a position to contribute in these different ways to the cause of detente, nuclear safety in the world and development....

## Economic Policy

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### Giscard's fight for a new monetary system



It is not currently decided whether the European Monetary System will become the "seed-crystal for a new world monetary system," as officials believed at the July 1978 founding of the EMS, or degenerate into a "regional currency bloc" along lines proposed by Prof. Robert Triffin, the current mastermind of the European Community Commission. However, there is total consistency in French President Giscard's approach to the EMS since the initial discussions with his West German counterpart Helmut Schmidt on the plan at the beginning of 1978.

In a nationally-televised interview Dec. 12, Giscard resummarized his program for the EMS, and the basis for his promised personal initiative for a new world monetary system early this coming Spring. The world has two interrelated problems, the French President stated. One is the "extravagant monetary disorder" in the West, against which the European Monetary System has become an "island of stability." The other is the failure to create an agreement for development between the Northern and Southern hemispheres; without such an agreement, Giscard concluded, the European Monetary System could continue to play the limited role it has thus far.

The European Monetary System was proposed at a July 1978 summit of European Community leaders in Bremen and ratified at the Dec. 5, 1978 summit following. It provides a narrowed band of fluctuation between European currencies (excepting sterling), and a fund for defense of these currency parities through the pooling of 20 percent of participating nations' gold and dollar reserves (gold valued at market prices). Effectively, the EMS officially remonetized gold and set the basis for gold's return to leading reserve status after the 1971 removal of the dollar-gold link by then Treasury Secretary John Connally. American officials admit, with some bitterness, that the longstanding French holdout position for retaining gold's reserve role, dating back to 1960s Finance Minister Michel Debré's obstinacy against Anglo-American plans for demonetization, has ended in a French victory.

As Giscard's recent television address indicates, the

French Sector in the European Monetary System is far more significant than the traditional French commitment to gold, as expressed by de Gaulle's financial advisor, the late Jacques Rueff. Indeed, Giscard became Finance Minister in 1968—following the May destabilization—to replace Rueff and was the man who negotiated a compromise in favor of gold demonetization with the Wilson and Johnson governments. This role had less to do with Giscard's personal views on gold than the weakness of the French franc in the weeks prior to the September 1968 International Monetary Fund annual meeting, and de Gaulle's need to find a new finance minister to carry the white flag. Giscard, according to press accounts and *EIR*'s own sources in the French government, is now fully committed to gold remonetization, as a means of achieving the objectives he set forth in the cited television talk.

According to *Die Welt* Dec. 11, the two basic monetary features of the Giscard plan are 1) a parity link between the dollar and the European Monetary System currencies, establishing a regime of quasi-fixed rates, and 2) remonetization of gold as a central bank reserve. It is not known whether Giscard intends to value currencies in terms of ounces of gold, or to use gold at a central bank-regulated price as a means of stabilizing international credit flows, or both. However, the likely course of action, according to senior French government officials, is to employ EMS gold stocks to issue gold-indexed loans in very large volume, absorbing tens of billions of Eurodollars at long maturities and low interest rates.

However, the technical aspects of the gold issue are of second-order importance, as a matter of financial implementation. The driving force is Giscard's consistent recognition of the central importance of the development issue in world politics, from his 1976 sponsorship of the Paris Conference on International Economic Cooperation (the "North-South Dialogue") to the present. In this respect, France has taken a leading role on behalf of Europe in the Arab world, a role lauded by Saudi Arabia's Sheikh Yamani in a Brussels address Dec. 14. Giscard, Yamani said, was the only Western leader to offer the oil exporting countries the opportunity for cooperation with the industrial nations that they sought.

France's political relationship to the Arab world and the developing world generally will, in fact, determine what technical proposals come into force. There are only two ways to handle the surplus revenues of OPEC, estimated at anywhere from \$80 to \$140 billion, depending on the price of oil. One is to place these revenues through the International Monetary Fund and World Bank, both institutions committed to retarded development, and the continuation of the Third World's raw-materials-economy status. The other is to create a new, European-centered institution to draw on this surplus and other parts of the \$500 billion Eurodollar market

float, and convert it into financial assets of the type suitable for long-term development financing. Rather than exchange their revenues for Special Drawing Rights, or a basket of hard currencies, as the IMF and most Anglo-American banking spokesmen have proposed, the Arabs would finance their own and contiguous countries' development.

In one version of the Giscard plan, dated Dec. 12, 1978 (see box), Giscard's foreign trade minister proposed to raise \$100 billion on the collateral of the EMS reserve pool—most of which, of course, is pooled gold holdings. The proposal demonstrates the general nature and scope of the Giscard approach, although the year-old details may not be projected onto the French President's current efforts.

—David Goldman

### \$100 billion for progress

*On Dec. 12, 1978, French Minister for Foreign Trade Jean-François Deniau addressed a meeting of the leadership of the UDF coalition of progovernment political parties. Here are portions of the speech.*

"We reject the bureaucratic superstate. Our conception is that of a confederated Europe in which the European Council sets the orientations of the Community with respect for the sovereignty of the States...

"Our program proposes that the nine member governments of the Community launch a development plan for employment by investing together over five years sums which could amount to 500 billion francs."

"Half of these sums would come from national efforts coordinated on the European level, the other half from Community loans, the Community itself borrowing these sums on the basis of the credit (collateral—ed.) provided by the considerable monetary reserves of its members. These loans, denominated in ECUs, would be retroceded to the member countries and would serve to finance a vast program of industrial, regional, and infrastructural investments on the European scale which present a particular interest from the standpoint of employment."

Deniau added that this 500 billion franc program would serve to promote progress and modernization in the developing countries. "It would be a credit policy to ensure a relaunching of orders, a sort of Marshall Plan which would aim to increase the standard of living and the buying power of the countries toward which Europe could export part of its production."