

# Fourcade discusses the EMS

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*The former French finance minister and current policy shaper also defines the 'trialogue' and the obstacles to both.*

In the interests of giving the new Reagan administration and those around it direct access to the thinking of European leaders and policy-makers, *EIR* is publishing this exclusive interview with Jean-Pierre Fourcade, a leading associate of French President Giscard d'Estaing, who was his finance minister in 1974 after the president's election.

Jean-Pierre Fourcade has been associated with Giscard since 1959, when he was first brought in as an aide to then-State Secretary for Financial Affairs Giscard, later serving as his adviser when Giscard became minister of finance in 1962. Mr. Fourcade is currently president of the Clubs Perspectives et Realités, a post he has occupied since 1975. This organization, at whose Paris offices *EIR*'s Dana Sloan conducted the interview, was initiated by Giscard to set up a "think tank" with a grassroots base for the majority coalition in France, composed of the Gaullist party and the coalition known as the Union for French Democracy (UDF) which includes Giscard's Republican Party.

Jean-Pierre Fourcade explains what is behind President Giscard's proposal for a "trialogue" between European, Middle Eastern, and African countries: a convergence between the great technology of the West, the great financial resources of the oil-producing countries, and the mineral and other wealth of Africa, leading to considerable advances in overall living standards. Implementation of the triologue, he explains, will depend on expanding the current European Monetary System to include parity arrangements with the dollar, the yen, and the ruble, and the major currencies of the OPEC countries.

Fourcade also points out that one of the reasons the EMS has not moved to Phase Two, the European Monetary Fund, is that the "one worldists" in the International Monetary Fund and the United Nations, joined by the United States under the Carter administration have done all they could to oppose it.

Fourcade calls for an end to the "brutal and monolithic" policies that characterized American monetary

policy under the Carter administration and for a greater "spirit of cooperation" on these matters with the new administration. But, like the current French Prime Minister, Raymond Barre, Fourcade seems to be a proponent of what a certain grouping of policy-makers has convinced itself Europe can exist with: a milder form of Milton Friedman's monetarist domestic economic solution.

Next week, *EIR* will present an interview with another French leader, Michel Debré, former prime minister and currently a presidential candidate on the Gaullist party ticket.

**EIR:** You have often declared that the international monetary situation is extremely grave. What measures do you envisage to reform this monetary system?

**Fourcade:** There is no longer an international monetary system, not since the United States of America eliminated the convertibility between the dollar and gold. Since that time, that is to say 1971, the International Monetary Fund has attempted to carry out certain actions to maintain a minimum of organization. But in fact, the fluctuations between the major currencies create considerable disturbances in world trade, and these fluctuations are linked on the one hand to domestic American politics aimed at fighting inflation, and on the other to the difficulties resulting from energy price increases.

Therefore, to envisage the possibility of returning to a rate of growth in world trade that is more satisfactory than the current rate, we must envisage a new international monetary system based on a certain number of precise factors. I think that we must begin by creating more solidarity between the major currencies. The proposals which I have made in different international institutions are to start, in a pragmatic way, with agreements for a coordinated float between the currencies that are part of the European Monetary System, the dollar, and the yen. And I think that if it was possible to prevent the fluctuations between the dollar, the yen, and the EMS from being too great—through an agreement between

central banks within the framework of certain limits to be agreed upon in a secret manner—then we could be oriented toward returning to a certain level of stability.

The second element is that—notwithstanding the political and military problems which are currently creating tensions in the world—we will have to reach an agreement on payments with the Communist bloc countries. And I think therefore that in this second phase, provided the first mechanism for stabilization yields favorable results, we will have to integrate the ruble into this mechanism, with a stable system of parities that will permit us to develop trade between East and West.

As far as the OPEC countries are concerned, I think that an agreement on the creation of a tie between the main currencies of the OPEC countries and the EMS should enable us to improve the recycling of oil capital and to create more financial relations between the OPEC countries and Europe. It is clear that the volume of petrodollars generated by oil price increases threatens to drag the EMS along with it. Therefore I see this linkage between the OPEC countries and the EMS as possible only after pragmatic agreements will have been reached between the EMS, and the dollar and the yen.

Finally, the most difficult element to solve is the problem of the Third World countries that have no mineral resources, raw materials, or energy products. It is clear that these countries, and I am thinking of the example of countries like India, Brazil, and Indonesia, are very reticent about attempts to organize the international monetary system because they suffered very much from the rigidity of the Bretton Woods accords—they have no gold—and they are therefore naturally against any mechanism that would return relative control over the international monetary system to the former colonial powers. This is why I think that a return to stability in exchange rates is one of the elements of the North-South dialogue, and that if we can make new progress in this North-South dialogue during 1981 and 1982, there will have to be a monetary element bringing a necessary complement to the first accords which I have just outlined.

**EIR:** The president of the French Republic has proposed a “dialogue” with the developing sector and to the oil-producing countries.

**Fourcade:** The main idea behind the dialogue is to take note of the fact that the world of the next 20 or 30 years cannot be defined only in terms of East-West confrontation. There *is* an East-West problem, and the problem of Poland and Afghanistan must in no way be taken out of our thinking. But it is clear that the demographic and political problems which characterize the evolution of the world today require that, beyond the East-West confrontation, we envisage a world economic construc-

tion which takes up the problems of the nonindustrialized countries.

The idea of the dialogue is the idea of attempting to find points of convergence between three entities which lie outside of the East-West confrontation and which are first, the entirety of the ten countries of the European Community, second, the entirety of African countries, whether or not they produce raw materials or oil, and third, the entirety of countries of the Middle East—with of course the additional difficulty constituted by the nonsettlement of the Israeli question.

And the idea is that these three groups, endowed with in one instance great technology, in a second many minerals and material resources, and in the third with great financial resources drawn from their oil resources, must be capable of a certain number of elements of cooperation, enabling them to intensify cooperation and development, leading to considerable increases in the living standards of the most backward countries, notably in Africa, and beyond the economic convergences, leading to a cultural dialogue. Because between European culture, which is diverse but which is nonetheless a culture, Arab culture, Islam, and the different elements of African culture, there is a possibility of a very important dialogue, of human beings having access to greater dimensions.

**EIR:** When it comes to implementing this dialogue, you run into the problem of financing projects, and the great indebtedness of the Third World countries.

**Fourcade:** I think that the obstacles to the dialogue are much broader than just the monetary and financial obstacles. I think that the political obstacles are more important. The Israeli-Arab problem, for example, creates a blockage which prevents a satisfactory evolution of the dialogue. There is a second obstacle, which some in France have baptized “Soviet hegemonism,” but which is the fact that the Soviet Union and its allies are making an enormous effort to penetrate the Middle East and Africa in order to guarantee their future raw-material supplies or to prevent Europe from having privileged relations with the entirety of the African continent or the Middle East.

In the area of economic and monetary problems, the two questions that you pose are obviously relevant. It is clear that at the present time there is the beginning of a solution which comes from the agreements between the EC and a certain number of African and Asian countries, and which in the framework of the Lomé agreements organizes an effort for cooperation, transfer of technology, and guarantee of resources of the exporting countries in the framework of mechanisms freely accepted by the European Community.

In my opinion, this is a starting point, which is a

relatively solid link between Europe and a certain number of African, Asian, and Pacific countries; but we must get the oil-producing countries of the Middle East and notably the countries which have financial capabilities that go beyond their needs, like Saudi Arabia, Kuwait, and the Emirates, interested in this starting point.

At the present time, I think that the Arab countries are showing great interest, but they have two fears. The first fear is that one of the counterparts to this general agreement with Europe and Africa would be guarantees concerning the evolution of oil prices. And it is clear that at the present time the oil-producing countries do not want to unilaterally commit themselves to a system of guarantees, without having a certain number of other guarantees in exchange. And the second element that the countries of the Middle East are currently regrouped within several political or religious organizations, the Islamic League, the Islamic Conference, the Arab League, etc. You have to find the right interlocutors and make a distinction between what I would call the moderate countries and the more extremist ones. In the framework of this triologue the position of countries like Libya and Iran is not the same as the position of countries like Egypt, Sudan, or Saudi Arabia.

What I can say at the present time is that we are lucky to have as interlocutors on the side of the African and Islamic countries, people of great dimensions . . . who have perfectly understood the necessity of this rapprochement. But a certain number of complications are created by the need to progress in all areas, and by the need to avoid giving the impression that we, the Europeans, have only one objective, the stabilization of oil prices.

And then, finally, there is the most important problem, which is also the most difficult one. It is the problem of education. There can only be transfers of technology and possibilities of discussion among equals between the three interlocutors, to the extent that an enormous effort is made to reconcile native cultures with modern technologies, and to the extent that this transfer of technologies is carried out with the participation of the nation as a whole and not just a few experts or small numbers of specially gifted people who just sit on top of the sociological structure of the country.

**EIR:** Tunisia seems to one of the countries which has resolved this problem. . . .

**Fourcade:** Yes. Because of its past, its very high cultural level, its geographic position, and its alliances, Tunisia is certainly one of the contact points for this operation. Tunisia, along with the Magreb countries, and the African and Middle East countries, has very old and very deep relations with Europe. It is clear that for us Tunisia is a country with which we must make a real effort for discussions, almost bilateral discussions, to determine

what paths to take for the triologue. And the Tunisian government is helping us a lot in this effort.

**EIR:** What are, in your opinion, the obstacles confronting the implementation of the European Monetary Fund, the second phase of the EMS?

**Fourcade:** I think that there are three obstacles at the present time to the implementation of the EMF. There is the fact—and this makes up the background—that the one-worldists in general, and the United States in particular, are not too hot about the consolidation of the EMS, and therefore both on the side of the international organizations with world pretensions, as well as on the side of American diplomacy, anything which *can* be done to delay the consolidation of the EMS *is* done. There is no reason to be surprised about this. . . . I am thinking of the IMF, the World Bank, all the organizations of the United Nations and of American diplomacy. It is clear that at the present time, all those who are one-worldists and who want some kind of a world construction and who do not share our views about starting the process with regional constructions. . . . The second difficulty comes, I think, from the fact that the two European countries which are in a difficult situation vis-à-vis the system itself, that is to say Italy and Great Britain, want to see the experimental phase continued, because they are not in a position to make more important commitments. So there is a very firm wait-and-see attitude on the part of these countries. I think that the consolidation of the British economy will mean that the British obstacle will be rather quickly dispelled. I think that in the coming years we will discover that the British will actually be more of an acceleration factor in the construction of this system.

Then there is a third element, which is as much psychological as it is technical, and that is the change in the position of the German currency, the *deutschemark*, in this system. When we were still involved in the “snake” mechanism, the predecessor of the EMS, there was talk of a “*deutschemark zone*.” And it was clear at that time that the strength of the German economy, the strength of its currency, made for the existence of a dominant currency, and that it was around this dominant currency that the other mechanisms were determined. It so happens that in the past year the German economy has been going through certain difficulties, notably balance of payment difficulties, and that as a result the position of the *deutschemark* is not as strong, and without going from one extreme to another, the *deutschemark* is no longer the dominant currency of the EMS. Consequently, the conceptions of the European Monetary Fund are conceptions which require a change in the attitude of the central banks. I think this third factor, passed over in silence through a joint agreement between France and Germany, which explains the delays in the second phase.

Finally, a fourth element which is not negligible, is

that you have to remember that Europe is made up of democratic countries in which the national parliaments express themselves, and there are in all the European parliaments people who are strong nationalists and who are opposed to any supranational constructions. There is no doubt that the creation of a monetary fund, with its requirements, its limited margins for maneuvering and its particular rules, would create certain parliamentary difficulties in France as well as in Germany, Great Britain, the Netherlands, or Belgium, and so it is clear that with the difficult circumstances that the world economy is going through today, the heads of state and of government do not want to confront these internal problems.

**EIR:** In the U.S., the chairman of the Federal Reserve, Paul Volcker, is carrying out a deflationary policy which is now spreading on a world scale. Doesn't this policy threaten us with a financial crash?

**Fourcade:** American economic and financial policy is, to say the least, unclear. And it will only be clarified after the swearing in of the new Reagan administration and when its precise objectives will be defined.

It is clear that at the present time, confronted with the difficulty of controlling the strong inflationary tendencies facing America, the Federal Reserve has used to the fullest the only weapon it has, which is credit policy. Since the U.S. has renounced the use of any wage-price policy (Nixon tried it but finally gave it up) and since there is no possible budget policy to the extent that disagreements between the President and the Congress have prohibited any revision in budgetary policy, the only possible weapon is the credit weapon, and the Federal Reserve has used this weapon in an extremely brutal way.

I think that this credit policy, which is basically an interest-rate policy, with occasionally a quantitative element to it, as we saw last March, can have results in the fight against inflation, but obviously it produces a revaluation of the dollar against other currencies and very strong tensions on the world trade markets which, as you said, generate a recession.

To the extent that the United States has a central role in financial and monetary mechanisms, they can no longer have such a brutal and monolithic policy without talking to their partners. I think that this is one of the areas in which the spirit of cooperation, which President Reagan seems to be attached to, must express itself: economic discussions with America's partners, because we cannot go on having a dollar which fluctuates between 4 francs and 4.6 francs, creating extremely serious disturbances in oil supplies, in raw-materials prices, and in foreign trade.

In 1979, we were submitted to a big drop of the yen, which generated a commercial aggressiveness on the part of Japan, and then the yen went back to a normal position. We are now going through a strong reapprecia-

tion of the dollar which is good for our exports, but dangerous for our imports of raw materials and oil, and it is clear that, added to the erratic fluctuations of the oil market and to the world tensions, these ups and downs create totally detestable conditions for the development of world trade. And I think that the first thing is to talk to the Americans about this in order to see according to what objectives and what doctrines the world economy is going to be organized.

**EIR:** But doesn't the economic situation in England, as well as in all the countries in which this policy has been implemented, demonstrate the bankruptcy or the monetarist theories of Milton Friedman and Friedrich von Hayek on which these policies are based?

**Fourcade:** I don't think it is possible to make such a cut-and-dried judgment. I think that Great Britain, and on a lesser level France, are proof of countries in which, under the effect of socialist-inspired governments or governments of socialist tendencies, the functioning of the market has been greatly modified, and created a mechanism for government intervention which is extremely powerful. And in England this went very far, putting a stop to growth and creating a blockage of the trade-union mechanism; and Mrs. Thatcher has carried out an extremely classic economic policy, inspired by Friedman and Hayek, with results which are obviously not all favorable. But I think we must wait a little while to judge, because it is nonetheless a healthy reaction against the general asphyxiation of the British economy. I think that after the brutal phase of a return to liberalism and monetarism which has already marked the years 1978 and 1979, we should see a slower evolution beginning in 1981, and find the emergence in France, as well as in Great Britain and the Federal Republic of Germany, of liberal economies, with a certain number of corrections which of course go beyond monetary theories. The application of a certain number of brutal monetary remedies has actually modified a profound tendency which was going in the direction of over-administration and a paralysis and asphyxiation of initiative.

It is difficult for me to state what the Reagan administration is going to do. Of course there were electoral promises, and when I went to the United States I noted that one of the main themes of his campaign was the rejection of federal intervention, the rejection of regulations, and a desire to liberalize the economy. But this being said, I don't think one should underestimate the profound dynamism of the American economy and I think that from the time that clear orientations are taken on budgetary and monetary policies, on the relationship between the federal government and the states, and the fundamental objectives on electro-nuclear policy, on questions of supply, and on participation in the effort to cooperate with the Third World, I think we will witness a new takeoff of the American economy which will be

beneficial for the world economy as a whole.

**EIR:** A certain number of Reagan's advisers, like Jack Kemp from Buffalo, have talked about reinstating a link between the dollar and gold.

**Fourcade:** I think this is still a premature question, because after being completely locked up by the U.S. Treasury and by international organizations, the gold market has now become an erratic market.

So I think that we must first go through a phase of rapprochement between the major international currencies, in which I include the ruble, to orient the world toward greater stability. And I think that the mere fact of this stabilization of exchange rates between major currencies will bring about greater tranquility on the gold market. And I think that it is only then that we will be able to envisage an agreement between central banks to contain the variations of the price of gold within relatively reasonable limits. Then the third phase of this reorganization, a few years down the line, will be the creation of a tie between, not the dollar, but between the Special Drawing Rights and gold; in other words I think that we have to put a piece of gold into the SDRs, in order to give some real value to this international currency. But I think that there are several phases, and the idea of re-establishing convertibility or a link right away between gold and the dollar seems to me to be going too fast at the risk of setting off a new catastrophe in the monetary field. I believe in a pragmatic method, including these three phases which I have just indicated.

**EIR:** Do you have a particular message you would like us to transmit to the American people?

**Fourcade:** Yes, and the message is as follows. I think that confronted with extremely difficult problems and in the face of the East-West conflict, the Americans did not see the rapidity of the evolution of the European continent and did not see that the EC is presently the world's first economic power, in terms of GNP, living standards, and so forth. I think that these facts must first be accepted. The second element is that I think that, because of their own power, the Americans did not really feel the importance of the North-South tension. So I think that if in the coming years American policy were oriented toward more active cooperation with Europe—and when you say cooperation this means that you discuss before making decisions, it means that you find out about the ideas of others and try to find some common objectives—and toward a much greater understanding for the concerns of the Third World, then I think that we could witness a change in this world during the coming decade, and that we could contain Soviet hegemonism better this way because the Soviet regimes are now taking advantage of this absence of sensitivity of American policy to the problems of the Third World. And I think that this is necessary for the future evolution of democracy.

## A technetronic coup against Italy?

by Marco Fanini

“Two years ago you were complaining about the dollar's weakness and the fact that our monetary authorities, accused by you of 'benign neglect,' decided not to intervene. Now you are complaining because the dollar is strong and brings inflation to your country.” Thus spoke David Rockefeller, meeting with Italian government officials in Rome, during an interview with the Milan daily *Corriere della Sera* on Feb. 3.

But the Italians have a good reason to complain. The exchange rate for Italy's currency, the lira, has reached an all-time high of 1,000 liras to the dollar, mainly due to the high interest rates imposed in the United States by Federal Reserve Chairman Paul Volcker. Thanks to these interest rates, a wave of speculation has fallen on the lira, with the result that an emergency situation that has given Treasury Minister Nino Andreatta a pretext for imposing a credit crunch of his own.

Under Andreatta's dictum, loans are frozen at the level reached as of Dec. 31, 1980 (except for loans for export); loans to industry cannot be at less than a 12 percent rate. Confindustria, the Italian industrialists' association, and the trade unions have strongly criticized Andreatta's plan for fostering production cutbacks, unemployment, and inflation.

### 'Postindustrialize' Italy

Once again, the question arises whether Italy, destabilized by terrorism and paralyzed by the inability to form a national unity government, can survive economically or not. Italian industry, despite the adverse conditions, miraculously continues to produce; but now the situation has become critical.

The new minister for the state sector, Socialist Gianni DeMichelis, has published a “white paper” on remedies for the crisis in the state-sector industries, which represent a good half of Italy's industry. But DeMichelis, whose brother-in-law has been charged with financing terrorism, is known to be a favorite of the Venetian “black nobility”; and despite the fact that DeMichelis's protégé Toni Negri is in jail, convicted of