

# British Press Cheers 'Rising Sun' Of The British Empire

*The entire British strategy — from economics to military policy — was laid out in stark detail in a series of articles in this week's British press. Below are excerpts from the key articles, arranged by topic.*

## International Monetary Reform And The Dollar

**Sunday Telegraph, March 19:** James Callaghan will attempt to persuade President Carter to adopt a major change of policy designed to counteract the effect of the falling dollar when he flies to Washington... (he will propose) a five nation basket of currencies including Sterling, Deutschmarks, French francs and Japanese yen, which will support one another.... The White House was jolted out of its torpor at the weekend by accounts that James Callaghan will urge the Americans to allow the dollar to be dethroned from the centre of world monetary order." In a second article, "Dollar Squeezes OPEC surplus," the Telegraph suggests that major Arab flights from the dollar are in the offing: "The Saudis are now reported to have asked the U.S. to release some of their dollar denominated reserves... switching to other currencies... Last autumn, SDR's were seriously discussed at OPEC... The line is that SDRs would only be a serious alternative if the position of the dollar became critical. That point may soon be reached. Mr. Callaghan's initiative in Washington proposing a five currency basket to replace the central position of the dollar could be seized on enthusiastically by the Arabs..."

**Financial Times, March 18:**

A growing number of bankers and officials are now beginning to argue that what is urgently required now is not the coordination of growth and trade policy, but of monetary and credit policy; and for the first time since the collapse of the Group of 20 in the oil crisis, the International Monetary Fund has been trying to launch a new initiative for international monetary reform, based on replacing currencies with a slightly rest led IMF reserve asset. A very simple version of the monetarist analysis of our problems run like this: it is no good worrying about growth policy while our finances are in chaos. Events may carry this point at the economic summit.

**London Times, March 20:**

In a financial oped entitled "Facing the truth about the dollar": "The problem for major industrial countries is that under President Carter there has been a marked change in the style of American leadership. This applies as much in the financial and economic fields as with political and military issues.... If this analysis is right, however, it clearly implies that the rest of the world cannot forever continue to rely on the dollar as the central part of the international liquidity system. The difficulty for the political leaders arises from the fact that the growth and prosperity of the postwar period has been based on the acceptance of the international dollar

credit system. Now, in contrast, it is the weakness of the dollar as a reserve currency that is reinforcing the disintegration of our fairly open system of trade and payments. It is difficult for America's friends to suggest that the position of the dollar must rapidly be demoted without seeming to attack American leadership. It is difficult for an American President to embark on a course which appears to throw away a natural national advantage. But Mr. Callaghan knows, as well as anyone, that the seeming advantages of a reserve currency role are an almost total illusion. If he can begin to convince President Carter that this applies to the dollar just as much as it did to sterling his journey will have been to useful purpose."

**Daily Telegraph, March 22:**

Arguing that possible U.S. gold auctions would "really have very little to do with propping up the dollar," the *Daily Telegraph* advises that the U.S. gold stocks "should be disposed of... Small monthly sales of gold would not really bother the gold market... and would improve the dollar's desirability as a currency without pegging the dollar to any fixed priced or re-monetizing gold's role in the exchange system."

**Guardian, March 22:**

Warns that any "resistance" in the U.S. to gold sales "must be overcome."

## Military And Foreign Policy

**Daily Telegraph, March 20:**

Oped by Tory MP Stephen Hastings charges Carter's soft policies in Africa as being "a direct threat to the survival of the West." "Is this unfair?... The only other identifiable objective seems to be a wish to avoid conflict with the Russians at almost any cost. Dress this policy how you like, it still amounts to running away, and if we run and abandon the African continent to the Men of the Kremlin we shall have suffered a catastrophe from which the free world may no longer have the resources or the will to recover."

On the same day, the *Daily Telegraph* editorial praises Carter's Wake Forest speech, as a major turn — but says words must be turned into action: "Historic defense statements by President Carter over the weekend mark a striking change in his attitude to Russian military expansion... (but) Mr. Carter still holds the door open. He has ordered rapid development of the MX mobile missile and the Trident 2 submarine, although he says he will not hesitate to order full-scale development and deployment of both. In reply to an abusive retort from Moscow he firmly stood his ground. From now on, he must turn words into actions."

**Times of London, March 20:**

Former British negotiator for the Test Ban Treaty and *London Times* defense analyst Lord Chalfont attacks the

"gradual response" policy of the U.S. and Soviets, and implicitly calls for a unified European military effort which would be more "realistic" than the U.S., attacking U.S. strategists in particular, for proposing the cruise and other "tactical" weapons. "It is necessary to point out that the 'low-yield' nuclear weapons to which the academic strategists refer in this context are generally speaking as powerful as the bombs which incinerated Hiroshima and Nagasaki... this kind of fantasy takes on the appearance of reality only in the fevered minds of academic strategists, so preoccupied with thinking about the unthinkable that they are prepared to believe the

incredible. It cannot be pointed out too often in the hope that both Russian and American planners will understand it, that an exchange of nuclear weapons on a European battlefield, however accurate the missiles, however 'selective' the targets and however 'sophisticated' the warheads, is likely to leave behind it a radioactive wasteland; and anyone who believes that such a conflict can, with any degree of certainty, be limited to Western Europe, is living in a world which has no reality outside the scenarios of the academic strategist."

## British Say: U.S. Finished As World Strategic Power

Sources in the New York banking community report an unusually high number of visits this quarter from representatives of British merchant banks and related raw materials firms, who are touring the U.S. ostensibly for "fact-finding" purposes. The United Kingdom financiers' actual objective, however, is to sow demoralization and panic among their American hosts concerning the future of the dollar and the strength of the U.S. economy. The following is an interchange with two representatives of the U.K. mining company, Consolidated Gold Fields — Christopher Glynn, who heads the Mergers and Acquisitions Department and Peter Fels, just returned from a trip to Kuwait:

*Q: What if the Administration went for an incomes policy? Would this stabilize the dollar?*

*Glynn:* No, I don't think that would do it. It might have a short-term psychological impact. But the reality is that you've got hundreds of billions of dollars built up overseas — and only the slightest movement of those funds will trigger a new run on the dollar. It's like a giant inverted pyramid balanced on one small nation — Saudi Arabia. The Saudis are sticking with the dollar now, but their only real tie to the U.S. is *military*. Look at the Horn of Africa — Carter isn't doing a thing! If the U.S. doesn't move to stop Soviet expansionism in the Middle East, what good is it to the Saudis?

*Q: You place a lot of emphasis on the Saudis. But what about the Germans and the Japanese, aren't they just as important?*

*Glynn:* Schmidt is disgusted with Carter. The Germans don't believe that the U.S. will really defend them should the Soviets attack — look at the Horn of Africa. Carter comes out of a populist background; he's basically isolationist. The U.S. is turning in on itself — it's a declining power in the world. As I see it, the Germans — and the Japanese as well — will rearm. This will solve their economic problem — declining export orders — and they'll see it as the only way to defend themselves against Soviet expansionism. Regional currency blocs will be formed — in Europe, and in the Far East centered on the yen — based on this recovery through rearmament.

*Q: Isn't it likely the Swiss and Germans will simply*

*demand that the U.S. pay off its swaps in gold at some point?*

*Glynn:* Oh yes. I understand a European government has already asked that of the U.S. The answer was NO.

*Q: Couldn't the Europeans and Arabs move unilaterally to set up their own monetary arrangement using gold to settle imbalances?*

*Fels:* Yes, that will happen. It all relates back to this military question. The Soviets could invade Germany easily at any time and the Germans don't believe the U.S. would do anything to stop them. What we will see is the formation of a British-Dutch-German military alliance and German rearmament...

*Q: How does this relate to the monetary question?*

*Fels:* Well, no one currency is strong enough to function as the reserve currency, the dollar can't, nor can the deutschemark. They will have to use gold to settle their imbalances. There will be a European monetary union, centered around Britain, Germany and Holland — but France will probably, as always, remain aloof.

*Q: Are you talking about a single European currency, like the Europa?*

*Fels:* These formal monetary mechanics can be worked out later. The main thing is the military question, rearmament.

*Q: I just can't see Schmidt going for rearmament.*

*Fels:* Yes, I know it's a socialist government, and so forth. But he'll be forced into it...

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## Healey Says U.S.-German Economic Plan Is Piecemeal

*The following is taken from an Associated Press dispatch on March 20:*

British Chancellor of the Exchequer Denis Healey criticized the West German-American agreement to support the dollar as failing to appear as part of a general plan.