Arabs, Japan, Soviets link up with EMS

New monetary order seeks war-avoidance—but where's the U.S.?

The French, West Germans, and Soviets are now closely coordinating their diplomatic and economic activities to put into action the new Euopean Monetary System and its policy of joint East-West development of the Third World. These countries and their allies in Japan, the Arab nations, and the Third World are trying to exert the leadership necessary to avert war and economic collapse — the kind of leadership for which for so many years the world looked to the United States.

The following three-part report details how those efforts took shape last week around the world.

It is now clear from reports of the just-concluded Franco-Soviet trade commission meeting in Paris that the French, West German, and Comecon sector economies are being integrated at the highest levels. The fact that the Soviets used the Paris meeting as the site of their announcement of a major nuclear deal with Libya signals that joint development of the Third World is a major component of the East-West integration. The first part of this report describes in depth the wide range of Europe's activities to that end.

Japan's government has come out with its own EMF-type arrangement, as the third article in this section details, urging tight collaboration with continental European forces, developing Third World countries, and the OPEC states of the Mideast.

And Japanese Prime Minister Takeo Fukuda's trip to the Mideast pointed to the other part of the Japanese-European "Grand Design," when Sheik Yamani offered direct shipment of oil to Japan, bypassing the multinationals, in return for direct technology transfers. But Yamani's offer is by no means restricted to Japan, as the OPEC portion of our coverage shows.

Forty years ago the Munich agreement was signed as the inevitable climax to the British-run economic insanity of the 1920s and 1930s. Today the Western Europeans, Japanese, Soviets, and OPEC nations are providing the leadership, where the U.S. has so far failed, to make sure there is never another Munich.

Europe: a shock treatment for Brzezinski

American National Security Advisor Zbigniew Brzezinski arrived in Europe on Oct. 2 for a tour of Western capitals, including Paris, Bonn and London, expecting to armtwist Germany and France. He was looking for support of a separate peace between Egypt and Israel, abandonment of Franco-German determination to implement the new European Monetary System and Fund, and a halt to expanded cooperation with the Soviet Union under the threat that West Germany's "self-Finlandization" might have to be halted forcefully.

But instead, Brzezinski was treated to some of the most determined language from the German and French governments to date. Excepting London, which has already officially endorsed the Carter Administration's proposal for a Lebanese "peace conference" excluding the Palestinians, Europe's leaders are now united around Chancellor Schmidt and President Giscard D'Estaing to resist the march of Brzezinski's oligarchical faction into economic depression and war.

From Brzezinski's standpoint, the trip could not have been more ill-timed. It coincided with the Thirteenth Session of the Franco-Soviet Grand Commission in Paris, and the "notification" by the West German Bundestag of the 25-year German-Soviet economic cooperation agreement. Brzezinski's worst nightmares about so-called Finlandization rolled on all week.

In an interview with the newspaper *Europäische Zeitung*, Chancellor Schmidt stressed a "Europe from the Atlantic to the Urals" concept:

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France and the Federal Republic of Germany form a close partnership which will maintain continuity of EEC policies for the next year. Europe is now able to raise its united voice in international affairs, and a large part of the European Community's policy is cooperation with the East bloc nations and the Third World. As Europe is a greater Europe, because both Western and Eastern Europe originated in common cultural, but also economic roots, negotiations with the Comecon are of key importance.

Several days later, as reported in *Die Welt* Oct. 5, Schmidt addressed a congress of historians in Hamburg, warning against Christian-Social Union leader Franz-Josef Strauss's belligerent use of the theme of German reunification:

I want to warn against sentimental use of the issue of German reunification. . . . Europe cannot be limited to the area of the present European Community . . . but has to be seen and understood in its manifold unity. . . . We (must) contribute to the next chapters of history and thereby shape our own future. We must also make history, and not just conserve the past..

But while Brzezinski and his Kissingerian allies are using their hold over the Carter Administration to create what one German source described as the worst era of offical relations between West Germany and the U.S. in the postwar era, Giscard and Schmidt are using what means they have at their disposal to influence the White House. According to sources close to the West German Foreign Ministry, the BRD and France used last week's International Monetary Fund conference in Washington to discreetly set up channels of communication with the White House independent of the normal channels controlled by Brzezinski.

Similarly, when the *Frankfurter Allgemeine Zeitung* alleged that West Germany fears an early agreement between the U.S. and Soviet Union on strategic arms limitations (SALT) because it would somehow leave Europe defenseless, Defense Minister Apel responded with a statement affirming that his government "looks forward to a successful and early conclusion" of SALT II.

The Franco-Soviet "Grand Commission," created when Charles de Gaulle initiated the era of "détente, entente and cooperation" with the Soviet Union, just concluded its highly successful Thirteenth Session, presided over by French Prime Minister Raymond Barre and Soviet Deputy Prime Minister Kirillin. In order to keep growth in trade moving toward targeted tripling between now and 1980 decided by Giscard and Brezhnev during their 1977 summit meeting, France has announced that it is ready to unblock up to 10 billion francs worth of credit "at a favorable rate," according to French Finance Ministry sources. Among the firms that would be involved in new deals are Pechiney-Ugine-Kuhlman (for a 3 billion france aluminum plant in Siberia), Technip (a gaslift plant in Siberia worth 750 million francs), and other projects with Creusot-Loire, Rhône-Poulenc and Saint-Gobain. In addition, agreement was reached on increasing joint research in fastbreeder and fusion energies, and space cooperation.

Trade stems unemployment

Interviewed on Soviet television at the conclusion of the Commission talks, French Premier Barre expressed satisfaction with the results in increased trade. But he added:

You know that Franco-Soviet economic cooperation is not only economic but that it is for Europe and for the world. I hope, for my part, that this Franco-Soviet entente, this cooperation between our two countries, can be an important factor of international détente, of peace in Europe and in the world. It is with confidence that I envisage the future of our relations . . . .

Hungarian government leader Janos Kadar is arriving in Paris Nov. 17 to meet with President Giscard, the First Franco-Hungarian summit since before the Second World War. Trade deals lead the agenda. Following President Giscard's visit last month to Poland, a French delegation is currently

The EMF versus the IMF

On Sept. 26 the Italian financial daily Il Fiorino *published a pointed comparison of the European Monetary Fund and the British-backed International Monetary Fund. Here are excerpts from the article entitled "EMF versus IMF," which was written by Antonio Lovato and datelined Paris.*

President Giscard d'Estaing and Chancellor Helmut Schmidt are determined, cost what it will ... to implement the plan for a "European zone of monetary stability" before the year's end ... Italy has committed itself ....

The EMF will end up being the alternative to the IMF with the following characteristics: the EMF is in favor of fixed parities, in opposition to the floating system that the IMF has accepted. The EMF also has rehabilitated gold, while the IMF is for demonitizing gold .... The EMF would meanwhile become the dispenser of credits on a scale not much below that of the Washington-based Fund.

The impression is that France and the Federal Republic of Germany will exert all sorts of pressures on Italy to make it enter in the monetary zone ...

British participation is still rather doubtful ... England prefers the IMF, which is accustomed to giving her greater amounts of credit than any other beneficiary .... England, whose gold reserves make up only 5 percent of total reserves.

there negotiating a billion-franc deal for the sale of nine French ships. This deal and those being negotiated with the Soviet Union are explicitly conceived in France as stemming the tide of an increasingly dramatic unemployment situation.

Picking up the pieces after Camp David

France and West Germany are also giving the U.S. lessons on how to run policy in the Middle East and Africa. Contrary to U.S. policy, which has de facto slid into acceptance of the Smith government's "solution" to the southern Africa crisis, Europe is stressing the need for economic development. Otto Wolff von Amerongen, leader of German private sector industrialists, in addressing the German-South African Chamber of Commerce in Johannesburg emphasized that:

> If South Africa wants to get out of its economic bottlenecks, it will have to create about 200,000 new jobs each year. . . . We have to reject any policies of embargo or blockade, because this would first hit those concerned, the black workers. . . . Apartheid is an obstacle to economic and industrial development in South Africa. The South African government would do well to lift the racial laws, to allow the blacks to participate in industrial development as the white workers do.

In order to concretize this prodevelopment relationship with Africa, France has been instrumental in negotiating the diplomatic entente between Angola and Zaire which was part of the "boomerang" effect of the British-Belgian instigated Shaba province crisis this summer. This week the French firm Titan, whose main clients include the French army and the Soviet Union, concluded a $6 million deal with Angola for a cistern tank and industrial vehicle plant which will allow Angola to save $30 million in foreign exchange.

In the Mideast, the French are picking up the pieces before the Camp David debacle leads to war. Foreign Minister Louis de Guiringaud, after consulting with Arab officials, proposed from the United Nations a Lebanese cease-fire formula whose immediate aim is to stop the bloodshed. Contrary to the hopeful assertions of Brzezinski and the State Department, France's proposal is emphatically not conceived as part of the Carter Administration's proposal for a conference that would leave out the Palestinians. In fact, the French President is known to be working towards a Paris Middle East peace conference that would include the parties excluded from the Camp David talks.

— D. Sloan and J. Sigerson

OPEC: direct oil for direct technology

Emilio Colombo, the president of the European Parliament, told a specially organized Italo-Arab dialogue in Rimini, Italy last week that the "Bremen Aggreements . . . must be extended to the Arab nations as well as the least developed countries." Colombo's statement reflects the economic integration drive since the European Monetary System proposal at the Bremen summit last July.

Euro-Arab economic integration for development is not new. Many of the technology transfer arrangements especially to Arab oil producing nations have been actively pursued since the 1973 Mideast war. But since the Bremen accords there has been an escalating process aimed at bringing the ongoing Araab-European economic dialogue to fruition.

A significantly new variant in economic cooperation negotiations with the Middle East oil producers is the heightened role of Japan. The Japanese government is closely coordinating with the West German and French governments to procure expanded transfer of technology deals for the Mideast OPEC countries. In return, OPEC has begun to voice an unprecedented policy of moderation on pricing and production of crude oil, in the interest of world economic stability.

Fukuda's Persian Gulf tour

The early September tour of Japanese Premier Takeo Fukuda heading a high-level 50-man trade delegation to four oil producing states of the Persian Gulf had a dramatic effect on OPEC's policy vis-á-vis the dollar and future oil pricing policy. Following his talks with the leaders of Saudi Arabia, Iran, Qatar, and the United Arab Emirates (UAE), the *Emirates News*, Sept. 17 reported that Fukuda informed his cabinet that:

> We have won an understanding from the leaders of the four countries either for a freeze on oil prices or the introduction of minimum increases to prevent adverse impacts on the world economy.

It is in this context that the Saudis and other leading members of OPEC have continued their unflinching support for the dollar. Saudi Prince Abdullah, the second Crown Prince, told the Riyadh Domestic News service on Sept. 14:

> . . . the currency muddle which governs the world today cannot be dealt with by dealing blows to the dollar, particularly now that the dollar has become a currency unit forming a basic factor in bolstering other currencies. We must not overlook the fact that the fields of investment of the dollar are much wider than those of any other currency. We must also not forget the inflation from which the world suffers and the effect the dollar can have in remedying it.