

outlines of its responsibility, makes a contribution. The form this would take would be appropriate economic, monetary and credit policies, an appropriate foreign-trade policy, and an energy policy too.

Europe's contribution involves the establishment of the European Monetary System. This System will stabilize monetary relations among the European countries, and in this way support and promote interdependence in the European Common Market ...

We view the European Monetary System as a European contribution to stabilizing the world monetary system. To the extent that the causes of monetary disturbance in recent years comes from Europe, we wish to eliminate them. The new monetary system will facilitate and improve commercial relations of the European Currency Area with those partners in trade who are non-European

"Detente and the North-South conflict"

The speech excerpted here, outlining the Federal Republic of Germany's position on major foreign policy and development issues, was given by Alwin Brueck, Secretary of State in the Ministry for Economic Cooperation, on Oct. 13 in West Berlin. The Carter Administration would do well to study Brueck's remarks.

... In view of worldwide problems, East-West relations today cannot be considered to be nondangerous ... too much is being spent on arms, as opposed to economic development ...

Foreign policy cynics think that they are secure in their opinion that the demands and problems of the Third World do not have to be taken seriously ... But there is the mistake. It is precisely at the moment when the solidarity of the Third World begins to break down under these tensions that detente is affected. Civil war in Angola, but also in Ethiopia and Somalia, has again drawn in the world powers. This has led to problems in East-West detente and made disarmament efforts even more difficult. What do these internal conflicts have to do with the North-South conflict? Allow me the following hypothesis:

Civil wars occur when there is a sharpened struggle for distribution in a situation of scarcity. This is the breeding ground for radical political groups from left and right....

If we want the Third World to become a real partner for creating a world order of peace, then we must contribute to assuring that the material preconditions for their assuming such responsibilities are created We should not attempt to reach special agreements with the weakest members of the Third World in order to break them out of solidarity with the Third World. That leads to no good, and can only unleash chaotic reactions from others.

Whoever wants to retard the cooperation of the Third World among its members to get short-term advantages will be destroying the changes for a real partnership for the future, a partnership in forming world peace. This attempt would also endanger detente over the long term. The hopes for disarmament would be gone, and the greatest waste in the history of mankind would be unstoppable.

5. D-mark hike clearing the path for EMS

After the close of the European Community finance ministers' meeting in Luxembourg Oct. 16, West German Chancellor Schmidt summed up the state of the new European Monetary System, which was inaugurated at last July's Bremen summit: "I have no doubt," Schmidt declared, "that the finance ministers will complete a working system by the end of the month."

This puts the EMS ahead of the official schedule, which anticipates detailed texts to be submitted to Community ministers in mid-November, with a heads-of-state conference in early December to tie up the package.

The Luxembourg finance ministers' meeting reaffirmed the September decision to peg members' currency parities directly to each other in a so-called grid arrangement, rather than to a shifting "basket" of component currencies. In other words, it showed once again the determination of EMS architects Schmidt and French President Giscard to move rapidly toward an international fixed-rate system.

Devaluation to judo London

The second key public implementation move was the preemptive Oct. 15 decision to moderately upvalue the deutschemark against other currencies in the present joint-float European "snake." The revaluation was termed "a good starting point" and "a good omen" for the EMS by West German Bundesbank chief Otmar Emminger and West German Finance Minister Hans Matthoefer. EC finance ministers agreed to raise the mark's value 2 percent against the Dutch, Belgian, and Luxembourg currencies and 4 percent against those of Denmark and Norway.

A spokesman for the Bundesbank told the *Executive Intelligence Review* that the measure was intended to judo speculation-fueling London rumors that the mark would be heftily upvalued across the board as a concession to Britain. The London Exchequer as been haughtily demanding such a move in contradistinction

to the sterling devaluation appropriate as a precondition for British EMS membership.

The realignment also brought the mark closer to the Swiss franc's spot price, a prudent move in preparation for the EMS participation the Swiss announced this month. Austria — also mooted as a candidate member — has just devalued its schilling 1 percent vis-à-vis the mark, while upvaluing slightly against Denmark, Norway, Belgium, and Holland. Present snake member Norway is now being publicly mentioned as another EMS entrant.

Most notable as an expression of West German determination to carry out EMS operations even before all knots are tied within the European Community are Oct. 17-18 reports that there will be a giant increase in the ceiling on bank credits of the type that need not be covered by the bank's own assets: a category of loans vitally important to international trade.

Just looking for a bailout

These are simply some of the nuts-and-bolts advances on the EMS level of an emerging North-South and East-West commitment to global technological development and detente — a commitment which has the unregenerate British utterly on the defensive.

Prime Minister James Callaghan arrived in Bonn to seek permission to join the EMS, permission West German business spokesmen have said over the past couple of weeks ought to be denied. At home the London press staged a beggar's opera of pretensions and demands. After the BBC had cried in alarm that West Germany is trying to impose an economic policy on EMS members, the London *Times* of Oct. 15 and *Financial Times* of Oct. 17 turned around and asserted that not *enough* economic coordination was being demanded of participants — the “locomotive theory” whereby West Germany ought to inflate its domestic economy to “take the sting out of anti-inflationary policies in the weaker countries.”

British spokesmen have also clamored for a “waiting period” and for a “transfer of resources” to Britain.

Not that capital investment in the UK would be a bad idea once overblown sterling and London networks have been taken care of. But what London is demanding with brittle arrogance is a straight bailout.

The Oct. 17 London press claimed in identical phrases that the Luxembourg finance ministers' meeting was “a triumph of sorts for the UK,” reversing Britain's isolation and putting West Germany on the defensive regarding a series of questions on EMS intervention and credit arrangements. The actual upshot of the matter was reported to the French business journal *Les Echos* of Oct. 17 by French economics minister René Monory in Luxembourg. Said Monory, “Britain has undertaken to participate without preconditions, delay, or special conditions . . . without demanding a transitional period and without demanding that the pound have the benefit of widened margins of fluctuation.”

This preliminary commitment will not solve sterling's market problems or London's policy problems. The British themselves assume that EMS entry will mean a devaluation, which will — apart from the Labour Party's electoral fate — raise living costs and inflation, and generally demote London's international standing, such as it is. The other leg of what is widely called Britain's Hobson's choice is “the fear that a refusal to join (the EMS) would be construed as a confession of weakness and provoke an immediate crisis,” as the Oct. 17 *Financial Times* put it.

Britain is hoping to gain quiet concessions in the coming four weeks, however, by way of technical questions it has persistently thumped on. First is who intervenes the most, the fastest, and the most automatically when currency-market interventions are required to keep parities in line. Naturally Britain would like the burden to fall on West Germany, with the least obligations on itself, and has sought to rally the other “weak” European countries to this cause.

Not only is Schmidt confident that an acceptable mechanism is about ready, but the continental leaders have highly sophisticated ideas about how to deal with speculators — who, after all, are concentrated among London's Far Eastern, Swiss, and Persian Gulf satellites. When a journalist complained that West German Finance Minister Matthoefer's replies to his technical questions were too vague, Matthoefer, according to the Oct. 17 *Le Figaro*, smilingly replied, “I don't wish to be understood; the denser the fog, the harder the speculators' task.”

— Susan Johnson