

\$70 billion EMS is now established

The world is at a strategic juncture as EC meets with Asians, Latin Americans

In a speech Nov. 20 before a gathering of Asian countries' foreign ministers in Bonn, West German Foreign Minister Genscher asserted that the European Monetary System was already an established part of the world scene, and that the task henceforward was to integrate the rest of the world into the European seed-crystal operation. That signal from a top European official is a good hint to the United States, which has watched bewildered as the rest of the world moved forward.

The European finance ministers' meeting on the same day put into shape a \$33 billion European Monetary System whose actual credit powers work out to double that figure. While they met in Brussels, and the West Germans met the ASEAN countries in Bonn, EC negotiating teams were sitting down with ASEAN's equivalent organizations for Latin America, the SELA, and also with the Comecon.

Last week's crop of developments spinning off the European (and Japanese) initiatives is virtually unprecedented, and represents a type of culmination of the Grand Design put forward at the May meeting of West German Chancellor Schmidt and Soviet President Brezhnev. Apart from the fact of the EMS agreement itself in Brussels — waiting only ratification from the EC chiefs of state at their Dec. 4 summit — other developments include:

(1) The first implementation of Japanese proposals to off-lend dollars accumulated by the central banks in support operations for the U.S. currency through export loans, tied to European and Japanese domestic interest rates — the beginnings of a two-tier credit system on the Eurodollar market and the drying out of the speculative markets.

(2) The virtually unquestioned success of dollar support operations inaugurated two weeks ago.

(3) The first set of invitations — to Midwestern banks in the United States — to join in consortia formed by the Japanese for the low-interest lending format described above.

(4) The first indications, through the mitigating impact on short-term Treasury bill rates of European reinvestment of dollars in the U.S., that the European central banks' sphere of influence could extend to the U.S. credit system itself.

Taken as a group, these events are a European-Japanese coup. Prominently, the British have been excluded from all the important arrangements, to the

point of missing out on special incentive credits the EC has granted to the Irish and Italians in the context of their entry into the European Monetary System.

As the *London Times* editorialized Nov. 16, Britain's influence in the U.S. ultimately depends on its ability to present itself as the spokesman here for Western Europe; the rug has been pulled out from under that charade. The Soviets, too, have come up with a good answer to the charges of the British press (e.g., *Daily Telegraph* commentator Robert Moss) that the EMS reflects a secret deal with the Russians against the interests of the United States. In the Soviet government newspaper *Izvestia* of Nov. 17, chief political commentator Matveyev proposed a Schmidt-Brezhnev deal with the United States, based on joint work for the export of nuclear reactors to the developing sector — economic advancement as the basis for world peace and stability.

The world has changed drastically, in the direction that this publication said it would.

— David Goldman

Finalize plans for the EMS development fund

The Nov. 20 meeting of European finance ministers in Brussels made "great progress" toward implementing the European Monetary System, West German finance minister Hans Matthoefer announced on emerging from the meeting last week. The success of that meeting and surrounding diplomatic negotiations have prepared the way for the christening of the EMS Dec. 4-5 when the EC Council of heads of state are scheduled to meet, and the launching on Jan. 1 of a new gold-backed banking institution, capitalized at some \$70 billion, with the capability for generating long-term, low interest-rate development loans and completely transforming the international monetary system and global economy.

The Nov. 20 finance ministers' meeting settled on the technicalities of how the EMS currencies will be pegged to the Japanese yen and the U.S. dollar — the