

selves: How long can U.S. industry go on with such interest rates? . . . If Volcker resigns, I do not see any reason why the dollar should go crashing down. Why should it? If the dollar went down slightly, it would do no harm to the U.S. economy. . . .

It is not true that Mr. Volcker enjoys the support of the international banking community. Even if we feel that we should not intervene into American affairs—what is good for West Germany is not necessarily good for the U.S.A.—even if it is not our job to criticize what our American friends are doing, still, this does not mean that Mr. Volcker has our support, not at all!

Let us have lower interest rates. Let the U.S. population tackle their problems and find their own way of doing that. . . .

Finance Ministers of the European Community, meeting in Brussels, as reported in a Feb. 17 New York Times article which read in part:

The ministers urged the United States to help reduce the broad gap between interest rates in America and Europe. They said that the substantially higher rates in the United States were the major reason for the dollar's recent steep climb against European currencies.

The ministers agreed to ask French Finance Minister René Monory to explain the European position to American officials later this week at a meeting of the International Monetary Fund's Interim Committee in Washington.

The EC's decision to seek a narrowing between European and American interest rates is understood to be the result of an effort by West Germany, which is seeking support from its Western trading partners, including the United States, for a coordinated reduction in interest rates.

Phase Two of the EMS looks to Third World development

by Dana Sloan

French President Giscard's dramatic denunciation of monetarism has set in motion a powerfully coordinated international combination. According to sources extremely close to Giscard, the French president intends to make the issue of credit contraction—the foundation of monetarist economics—especially with respect to the less-developed countries, the first agenda item for all future contact with the Reagan administration, including

the summit of Western industrialized nations scheduled for early this summer in Ottawa, Canada.

Ironically, the high interest rates have had one effect quite the opposite of what their originators had in mind. Giscard and Schmidt, the two initiators of the European Monetary System (EMS), have put implementation of EMS policy on the front burner. The second phase of the EMS, the European Monetary Fund (EMF), would institute a new credit-generating mechanism that would rapidly outdistance the monetarist-dominated International Monetary Fund.

Speaking at last week's Paris conference to commemorate the late Jacques Rueff, who was Charles de Gaulle's brilliant monetary adviser, French Treasury Secretary Jean-Yves Haberer described the European Monetary System as the only thing that has protected Europe "from the monetarist epidemic that has spread elsewhere." Haberer asserted that Phase Two of the EMS would not come about as the result of "technical" measures, but was rather a question of exerting "political will." Within a matter of days, Finance Minister Matthöfer asserted that Phase Two of the EMS should not be delayed much longer, and attributed previous delays to difficulties with the dollar.

France, which maintains historically close political relations with Third World countries, is also closely coordinating its interventions into the U.S. situation with Mexican President José López Portillo. French Economics Minister René Monory visited Mexico a few weeks ago, immediately prior to his official mission to Washington. Following his talks with the Mexican president, Monory told the French daily *Le Monde* that both France and Mexico were extremely concerned with the U.S. decision to cut back its development aid to the Third World.

French policy toward the LDCs is the paradigm of what Mexican-U.S. relations could become. Giscard's "trialogue" proposal was publicly defined at a Paris conference by an economics ministry official recently as a new concept to unite the capabilities and needs of the oil-producing nations, the European countries, and the non-oil-producing Third World around economic development projects in Africa. Under Giscard, France has also pioneered the oil-for-technology, and particularly oil-for-nuclear agreements that Mexico seeks from the United States.

Giscard has signed nuclear cooperation agreements with Iraq, Egypt, and South Korea, among others. Under the "trialogue" proposal, France is arranging for the financial resources of the oil-producing countries to be channeled into capital-intensive development projects in Africa using Western technology, equipment and know how. The EMS/EMF would serve as the mediating institution for these exchanges, and is open to a "hook-up" with the U.S. dollar.