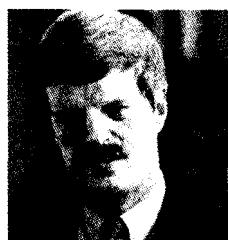


As a result, the Versailles summit will also turn out to be very influential in Moscow. Firstly, Brezhnev factional groups can hardly be expected to keep it a secret that there is little content left to Chancellor Schmidt's proclamation that he does "not want economic warfare." If he did not accept *de jure* restrictions on trade, he accepted them *de facto*. Secondly, certain other factions in Moscow will be delighted to have such help in knocking out their internal opponents; and doubly delighted at the prospect of the United States, undergoing extended economic debilitation, while another chief Western economic pillar, West Germany, is further weakened.

The only nation that fell out of line at the summit was Japan. Japan severely condemned the Israeli invasion of Lebanon, and ordered its delegation to the U.N. Security Council to vote against the British on the Malvinas. They wanted new initiatives among industrial countries for cooperation on atomic power, high-technology and space research and development. They wanted initiatives to spur technology-transfer to the Third World, including nuclear energy, for in-depth industrial development. Prime Minister Suzuki balked at the implications of the established principle of IMF abrogation of national sovereignty in economic and monetary policies.

As long as there are Third World nations capable of defending themselves against the IMF/BIS onslaught of enforced depression, these policy orientations will undoubtedly win the Japanese a strong position in the Third World. But, if the United States does not quickly rip the "Statement on International Monetary Undertakings" to shreds, the chances of Japanese success are meager.



Interview: German Finance Minister Manfred Lahnstein

by Sophie Tanapura from Paris

At the closing of the Versailles Summit June 6, West German Chancellor Schmidt appeared a very tired man. Total resignation seemed to be the key characterization of German policies at this summit. Germany's determination to act on national interest has been faltering over the past year under the pressure of Global 2000 circles, of

NATO, of the worsening world situation, and of internal political opponents. The serious defeat of the SPD over the same weekend in Schmidt's own home city of Hamburg is a direct result of this kind of capitulation.

The fact that Germany borders the East bloc has always made her very sensitive to the question of war and peace. However, at the summit discussion, the Germans reiterated total support for the British in the Malvinas crisis. When questioned on its creating a precedent for other out-of-area deployments, Schmidt remarked that "it is not the first time" and that further questions should be put to Mrs. Thatcher, washing his hands totally of any responsibility in key world events. This attitude was once again predominant in Chancellor Schmidt's admission that Germany had nothing to say in the present Iran-Iraq conflict, as she is not present in the Gulf area. Such capitulation on world affairs should be viewed with great concern by those who are looking to Europe for a third option.

A similar or worse attitude prevailed in the economic domain. At the closing national press conference, Schmidt emphasized that the main economic problem today is the problem of over-population, showing the influence of Carter's *Global 2000 Report* on his judgement. In the same resigned manner, under pressure of heated anti-Soviet ravings of U.S. Secretary of State Alexander Haig and Secretary of the Treasury Donald Regan, Schmidt defensively argued that Germany's East-West trade had dropped by 20 percent since 1980, and France's by 25 percent, while that of Japan and the United States had been on the rise. In this debate, which lasted for two hours, he only intervened during a total of two minutes, he admitted to the press.

In comments to the *EIR*, newly appointed West German Federal Finance Minister Manfred Lahnstein, on the question of export credits, reiterated the Finance Ministry's total support for the Wallen compromise on the question of export credits. Swedish Count Wallen is the author of the present OECD proposal for reform of export credit conditions just discussed at the Versailles Summit. Wallen is known by insiders to be a "British" mouthpiece for "adapting" interest rates for export credits to the fluctuating rates in the markets, a notion which until recently had been abhorred by the French.

On the question of multilateral surveillance in the framework of the IMF and export credits, both the German Economic and Finance Ministers have no qualms about placing their national economy under the scrutiny of supranational entities such as the IMF and the OECD. Economics Minister Count Lambsdorff declared to *EIR* that the German delegation is "basically in favor of a monitoring role [of the IMF] and found that this view is shared by almost all Economic and Finance Ministers."

On this question, Finance Minister Lahnstein went

even further in his interview with Paris *EIR* correspondent Sophie Tanapura. Lahnstein, born in 1937, was named Deputy Minister to the Federal Minister of Finance in June 1977. In January 1981, he became Director of the Federal Chancellery, and was appointed Finance Minister in April 1982.

Tanapura: If I understand it correctly, there is basic agreement among the delegations concerning multilateral surveillance within the context of the IMF.

Lahnstein: You are absolutely right, and how could it be different. All the participants here at Versailles are member countries of the International Monetary Fund. Everybody has signed the statutes. The statutes provide both for surveillance in the economic sense and for surveillance of exchange rates. What we are doing is confirming those principles which we have all signed and finding ways and means to make this surveillance as effective as possible.

Tanapura: Has any new body or institution been created?

Lahnstein: No new institution, only enhanced practical competence for the IMF. We all want a strong IMF. This has to start with the surveillance function, and I think the large industrial countries should set an example for the others. How can we ask early conditionalities, for instance, from the developing countries, when we ourselves are not ready to be submitted to IMF surveillance? We are the most economically powerful group in the world. We should set the example for ourselves, thereby setting the example for the others. This should be done by the IMF, but no new institutions are necessary.

Tanapura: What does the revitalizing of articles 3 and 4 really imply for the national economies involved? What are the consequences of IMF economic surveillance and coordinated intervention?

Lahnstein: No, coordinated intervention is not the main point. Each summit conference is marked by a catchword. This year it is intervention, and the sensational character of it is forgotten two weeks afterwards.

The important thing about surveillance is quite a different one. It's the fact that IMF people screen national economies and their performances and give advice, and that this advice is taken seriously by the United States, by Germany, by Bangladesh, by everybody. Why? Because this is an early warning system, one of the most valuable early warning systems we have. So we should make full use of this surveillance function. That is the main point. Not intervention, which is done on a day-to-day basis. Then you read about it in the papers the day after, and that is the way it should be.

We take the IMF seriously. We had an IMF team in the country three weeks ago. [Bringing it in] was one of

the best pieces of advice I have got from my own budgetary people. And I will make use of it.

Tanapura: And what did they tell you?

Lahnstein: Be cautious. Cut down expenditures, cut down growth of expenditures. Cut down your deficit. Switch consumption to investment through the budget, and things of that kind. And I think they are right. I try to make use of [these] as argument[s] against my own internal opponents.

Tanapura: French Trade Minister Michel Jobert earlier this afternoon expressed personal discontent with the IMF role. He had indicated that the IMF is dominated by the United States, and that France, by subjecting itself to the IMF, would be subjecting itself virtually to U.S. policy. Could you comment on this?

Lahnstein: If he has said that, I would disagree. . . . The United States holds a very powerful position. But we have a very fine balance of power inside the IMF through our constituency system, and we have cooperative partners in the IMF, and I don't have the slightest complaint. On the contrary.

Tanapura: How is the favorable German position on the Wallen proposal coherent with the presence of a 50-man Soviet delegation presently in Germany? And is the presence of this delegation a sign of continued German commitment to long-term economic relations with the Soviet Union as a basis for a peace policy?

Lahnstein: Both positions are quite compatible with each other. As far as the classification of the Soviet Union is concerned, this is not dictated by any political consideration. The fact is that we calculated the per capita income in the Soviet Union. It is not a German or an American calculation. It is an OECD calculation.

As far as economic cooperation with the Soviet Union is concerned, we stick to our long-term commitments. We are people who stick to contracts once they are signed and done as you do in the United States with your grain deal. Why should we behave differently from you? I think that a very important principle of liberal trade, and reasonable people stick to contracts. We have a long-term economic agreement with the Soviet Union which sets up different commissions on general economic questions, on sectoral problems. So we often have Soviet delegations in the country.

Tanapura: We are informed that Germany is presently being pressured by the United States to play the "locomotive" role in an economic recovery?

Lahnstein: Well, that is a wrong piece of information. The pressure does not exist. On the contrary. And by the way, the German Finance Minister is never pressured, not even by the Americans.