

European Monetary System showdown set for EC meet at Dublin

The two-day heads of state summit of the European Community that opens Nov. 30 in Dublin, Ireland, promises to be the stormiest in the history of the EC. On the eve of the summit, all indications are that France and West Germany will lead an attack on Great Britain's year-long effort to sabotage their war-avoidance policy and its core institution, the European Monetary System. It could end up with Britain's ouster from the EC.

The gloves have come off since Margaret Thatcher, the British Tory Prime Minister, threatened to "paralyze" the Community if special budget and other demands of Britain are not met. But according to the *London Observer* of Nov. 25 French President Valery Giscard d'Estaing intends to demand priority at the summit for such European-wide affairs as the oil shortage, currency stability, and a joint policy on the Middle East and Far East.

War on the EC

"There is no doubt that determined wrecking tactics by Britain could make life hell for our (EC) partners," commented *London Times* columnist Michael Hornsby three days before the opening of the summit on Nov. 30. Secret papers drawn up by the British Foreign Office outline a long list of "countermeasures" that can be taken by the U.K. if the Community refuses to grant Britain a "substantial" reduction in its 1.2 billion pound contribution to the EC budget.

The measures, according to the *Observer*, would include a freeze on agricultural prices, the blocking of progress on inter-Community negotiations on topics from fish and wine to energy and transport; boycotts of ministerial meetings; vetos of EC policies and initiatives. Any one of these would cause "intense embarrassment to Schmidt and Giscard," gloats the *Observer*.

The real issue

Thatcher's attempt to make British gripes against the Community the main agenda item in Dublin have little to do with the ostensible issues of the budget or restrictions on the importation of English lambs to the continent (over which the Queen's cousin, the Duke of Buccleuch, called for a boycott of "all things French.")

The giveaway to the game is the fact that during the same week in October, slightly over a month ago, that Thatcher first threatened to walk out of the Dublin summit if British "budget" demands were not met, she also gave the Winston Churchill Memorial lecture in Luxembourg on the topic of defense. Thatcher's Oct. 18 speech entitled "The Obligations of Liberty" argued that unless NATO spends for a massive modernization of its missile arsenal staged on European soil, the Soviets may be tempted to think they can exert political pressure on Europe.

Since then, the "Iron Lady" Prime Minister met first with Schmidt in Bonn, and then last week in London with Giscard. During her late-October Bonn visit, Thatcher was told by Schmidt that West Germany would not "broker" British demands. Schmidt was more interested, the German press reported, in knowing how to interpret Britain's "coolness" to Soviet President Brezhnev's disarmament proposals, since Bonn considered a more positive approach a precondition to NATO "modernization." Giscard pointed out to Thatcher that if each Community member merely subtracted from the EC fund what it put in (the Thatcher argument for budget reductions) there would be no Community.

And no Community is exactly what Britain has in mind to come out of Dublin. In a speech in Italy, Ralf Dahrendorf, the London School of Economics head, predicted the "ultimate crisis of a breakup of the European Community" within the next 12 months into an "a la carte" Europe where members could opt out of common policies as they saw fit. Or, in an alternative scenario floated in Brussels this week by Foreign Secretary Lord Carrington. Britain would join the EMS provided Europe recognized the importance of the "petropound"—London's bid for a new sterling empire based on raw materials looting.

None of these ploys is likely to work in Dublin, since even the smaller European countries are known to deplore Britain's "bullying" efforts and favor efforts to bring Thatcher to heel. One idea gaining favor in continental capitals is to offer Britain a deal: budget concessions linked to firm pledges that cheap North Sea oil will be made available to the rest of Europe. That rules out the "petro-pound."

—Nora Hamerman

'Development key to solving the problems behind Iran'

French President Giscard d'Estaing gave an interview over French national television Nov. 26. Here are excerpts:

Q: *Isn't there a threat of a deterioration of the international situation and even the risk of war?*

A: Since the beginning France considered the Iranian revolution to be a reality. In the beginning, some thought it was possible to deny the existence of this revolution. ... This revolution is a reality and a fundamental force in the life of Iran.

It is a force which is often depicted as being religious. It is in reality the expression of both the discontent, the suffering, the needs of a population which on the social level, on the political level, was for a long time maintained in a situation of misery and dependence, and which seeks to find its expression, using for this a religious expression. But it is not only satisfactions of a religious order which would put an end to the Iranian revolution.

We have to recognize these facts, and they have led

me, already years ago, to stress the importance of the North-South dialogue, because these are situations which will be reproduced in the world, and which are situations of poverty, of very numerous populations maintained in misery and ignorance who, suddenly, gain access to knowledge, to information, to a comparison with the situation of others and who do not accept their situation.

The violation of international law is an unacceptable thing, and it must be known that this violation, finally, as always, will weigh on the weakest. At the present time, there is an apparent belief that the United States will be the one to suffer from it, but the powerful will always defend themselves, sooner or later they will take precautions, since they have the means to do so. If we allow international law to be destroyed, on the diplomatic level, on the financial level through the non-repayment of debts, etc., then it will be the small countries, the poor countries which will be the victims, because there will no longer be an international credit system in their favor or because they do not have the means to protect themselves. It is up to the international organizations to obtain respect for international law.

Q: *So, in your eyes, it is not only a bilateral affair between the United States and Iran?*

A: There are two affairs. There is a very broad litigation between the United States and Iran, but there is also the fact that the non-respect of international law con-

The lineup going into Dublin

The British View

Financial Times editorial, Nov. 21, "Anglo-French attitudes": There are two major dangers. One is that Mrs. Thatcher, having failed to get what she wants in Dublin, allows the pressure of British political and public opinion to drive her into a spoiling role in the Community. A disaffected Britain could do a great deal of damage. The second is that other countries will underestimate this very danger. If they impose too humiliating a deal on Mrs. Thatcher, they risk pushing the U.K. into isolation and possibly into re-examination of its entire relationship with Europe.

Economist editorial, Nov. 24, "The cow must stop laughing": If Mrs. Thatcher's demands are accepted, the community could enter a period of rapid advance.

If Mr. Schmidt and President Giscard d'Estaing win the German and French elections in 1980 and 1981, the Schmidt-Giscard-Thatcher troika might give a new impetus to European integration in the 1980s (including, for example, moves towards a common defense system and a single currency). But if Mrs. Thatcher's demands are not met—in full, or nearly in full—the community faces at least paralysis and perhaps even the withdrawal of Britain. If Mrs. Thatcher is forced into all-out obstructionism to get her own way, she will have the support not only of her own Tory party but of the House of Commons, British public opinion, and this newspaper.

London Times Op Ed, Nov. 26, by Michael Hornsby, "The high money stakes in Dublin": There is no doubt that determined wrecking tactics by Britain could make life hell for our EEC partners ... Any member can quite legally veto any new Community policy ... even on matters normally decided by majority vote, Britain can invoke the so-called Luxembourg compromise which permits a member state to veto anything it deems a threat to vital "national inter-

cerns the entirety of the international community. And in fact, all countries of all tendencies, the Soviet Union, China, the developing sector countries, have expressed this over the past few days.

Q: *Do you think that the West could be led into a military intervention, to economic reprisals to safeguard their way of living and their oil supplies?*

A: Let me go back to your earlier question. At the present time we must go back to the question of respect for international law, and use peaceful means of pressure, notably in the framework of the United Nations to get Ayatollah Khomeini and the Iranian government to respect international law. This is the first required action. And in this situation, the other oil-producing countries, the Arab countries have taken extremely moderate attitudes. But we must not associate them with this action. We must not treat them as though, or consider them as though there was a bloc in this affair; it is not the case....

We must again seek with the developing countries the ways toward a dialogue which would allow us to better organize this great mutation of the world. And we must do so, for the time being, with the countries that are so inclined. This is why I attach great importance to the dialogue with the oil-producing countries of the Gulf and the Near East, and we will continue our efforts to progress in this direction....

What we are witnessing is a disorganization of the

world. And this disorganization has two aspects. The first aspect is North-South. The second is the internal disorganization of the industrialized world which is illustrated more than by anything else by the extravagant monetary disorder. We have succeeded in limiting this disorder in Europe by our European Monetary System which is functioning well. ... But we have to get back to the world problem. We cannot have at the same time an industrialized monetary system and disorganized relations between the industrialized countries and others. This is why, next spring, I will take the initiative in view of the preparation of the summit of industrialized countries for us to build an organized monetary system between industrialized countries.

In the world framework, there is of course Africa, and there our influence is very important....

I have wanted to systematically place the French economy in the sectors of the future. These sectors of the future are what I would call air, intelligence, atom, and life.

Air: that is to say the space and aeronautic industries. We have the first aerospace industry in continental Europe, and we are the first space power in continental Europe.

Intelligence: computer and communications....

Atom: we have the most ambitious program in the world, and the world knows that France is making, in this respect, an effort for energy independence....

Life: that is to say the sciences of biology. ...

est." Old hands in Brussels cannot quite believe the budget dispute will come to this. In the end a face-saving compromise has always been found. ... The only factor this jaded view does not quite account for is the distinctly unjaded single-mindedness of Mrs. Thatcher.

Ralf Dahrendorf, Director of the London School of Economics, in delivering the Jean Monnet Lecture in Florence, Nov. 26: We may yet experience the ultimate crisis of a break-up of the European Community, and we may see it happen in the next twelve months.

The Franco-German View

West German Finance Minister Hans Matthöfer, quoted in Frankfurter Rundschau: It is highly intolerable that Britain imposed higher prices on its North Sea oil than most of the OPEC states. In order to improve the atmosphere for any further compromise

talks on budgetary issues, Britain should rather think about ways to find another oil price policy.

Pierre Werner, chief of government of Luxembourg, interview in Le Republicain Lorrain, Nov. 22: Next year there will be a revision of the EMS in order to consolidate the present system. At the same time, it has to be topped with an organism which will play a role going beyond the current FECOM in order to harmonize European financial policies. The EMF could have a very great influence on the convergence of monetary policies of the different states. It would reinforce the coherence of the EMS, and beyond, the economic and social objectives of the community. ... Luxembourg will remain an irreplaceable financial place. The attractions of Luxembourg are many (banking, legislation, administrative facilities, etc.)... What the world will need in the coming years is precisely a free circulation of capital because investment needs, not only in the industrialized countries but also in the Third World countries are so enormous that one could permanently count on the permanence of an international capitals market..."