

Decision at the Dublin EC summit

by Susan Welsh

Great Britain is now more isolated from continental Europe than at any time in postwar history, following the sound defeat delivered to Prime Minister Margaret Thatcher by France and West Germany at the summit meeting of the European Community (EC) in Dublin Nov. 30. As the *Irish Times* wrote, "what is frightening the rest of the EEC is not that Mrs. Thatcher is threatening to take Britain out of the community, but rather that she is threatening to stay in and perhaps cause havoc in the process."

In the weeks leading into the summit, Thatcher had threatened to "paralyze" the EC if Britain's demands for special budgetary treatment were not met. The actual motivation of this belligerence is Britain's on-going effort to halt the progress of the European Monetary System (EMS), and the Franco-German axis upon which it is primarily based. Britain is the only EC member that has not joined the new monetary system.

French President Valery Giscard d'Estaing and West German Chancellor Helmut Schmidt, far from being incapacitated by Britain's "Iron Lady," will now simply proceed without her. "We are already at the rupture point," said Giscard after the summit's final session.

The final communiqué of the Dublin meeting affirmed that the EMS would "go ahead as planned" and that the European Monetary Fund should be set up as scheduled in March, 1981. Also over British opposition, the communiqué stressed the need for common energy policies.

Solution of the budgetary and related issues was deferred to the next summit, scheduled for February. But

warned Giscard, there will be no February summit "if the conditions for a useful discussion are not met."

The British are now casting about for "contingency plans" to salvage their sorry position, while Schmidt and Giscard will use the intervening time to hammer out proposals for a sweeping reform of the world monetary system, which Britain has strenuously opposed. Giscard declared in a Nov. 27 television interview that in the spring he will announce major new proposals for the functioning of the EMS oriented toward the North-South dialogue and Third World development.

Thatcher Caught Off-Guard

The Dublin summit was carefully stage-managed by Schmidt and Giscard to catch Thatcher off-guard. She had intended to seize the initiative, speaking first with all guns blazing, but instead Schmidt went to the podium. Stepping out of the humble "defeated nation" role normally assigned to West Germany in European gatherings since World War II, Schmidt castigated Britain for jacking up the prices of its North Sea oil and refusing to cooperate with the rest of Europe in energy issues. The rest of the EC can hardly negotiate with the Arab oil producers to moderate their prices while Britain's prices soar, Schmidt said.

Giscard then rose to second Schmidt's remarks, adding that Britain does far too little of its trade with the other EC countries anyway (due to old ties with the Commonwealth nations).

British Foreign Secretary Lord Carrington then



broke all protocol for what are understood to be confidential summit meetings, and left the session even before Thatcher spoke. He summoned a press conference to inform the world of the threats the British prime minister was about to deliver.

Although Thatcher demanded radical action to redress the "inequitable" balance in Britain's contribution to the EC budget, all eight countries aside from Britain expressed the opinion that Thatcher's requests were "excessive." Even Denmark, which is normally Britain's staunchest ally, joined in the chorus of condemnation.

Schmidt declared in a television interview following the summit that Britain had made a number of demands which "we have not accepted." The issue, he said, of whether England will even remain in the EC is not a question of whether the other member countries desire it, but simply that Britain is "moving away on her own."

A survey of press since the summit shows that continental Europe is thoroughly fed up with Thatcher now. "My Prime Minister has never seen anyone like Mrs. Thatcher," said one continental diplomat quoted by the London *Sunday Times* Dec. 2. "She does not know how to negotiate, but merely keeps repeating the same speech and the same demands no matter what the response."

The West German daily *Die Welt* Dec. 1 quoted an observer at the meeting comparing Thatcher to the legendary "Erlkönig" (elf-king) who threatens children to follow him or die. "But the child (the EC) will hardly die from terror of Mrs. Thatcher," the observer said.

In France, the press has stressed that Thatcher overplayed her hand and will now suffer the consequences.

"The Continent is isolated," quipped the daily *Quotidien de Paris*. The head of the French National Farmers Federation, François Guillaume, declared that Britain's departure from the EC "will simplify things.... We would not cry at the departure of a partner who is trying to block the development of the community."

Britain has been frustrated on two counts. Not only did Thatcher fail to win a reduction of Britain's allegedly "inequitable" budget contribution, but more significantly, the British failed to provoke a split in the Franco-German axis. It had been hoped and expected in London that Schmidt would act as a "broker" for British demands. But this, clearly, was not what Schmidt had in mind.

The British press has been hinting for some time that a "troika" or "triumvirate" of Schmidt, Giscard, and Thatcher would be the ideal team to lead Europe into the 1980s. The Dublin summit has ended that option.

In a television interview Nov. 27, Giscard indicated where the European Monetary System will go next. "We have succeeded in limiting the disorder in Europe through the EMS. 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."

French newspapers have now begun the debate about what sort of monetary proposals Giscard has in mind, and especially about the potential for the EMS to become an international, gold-based credit facility, replacing the International Monetary Fund. *Les Echos* Financial Editor Donati, for example, wrote Nov. 29 that Giscard wants to reinstate gold as a reserve unit, despite Federal Reserve Chairman Paul Volcker's opposition, and enforce fixed parities which will stabilize the dollar once and for all.

"To put it succinctly," says Donati, what Giscard is thinking about comes down to "enlarging the mechanisms of the European Monetary System to include all the countries that are members of the IMF." Would the United States agree? asks Donati. "As Banque de France Director de al Geniere says, 'go ask Mr. Volcker'."

Debate in Britain

Response in Britain has ranged from ferocious attacks on what the *Sunday Times* Dec. 2 called "the gang of eight" to anxiety that Thatcher has gone too far. The *Times* reported with indignation that Schmidt fell asleep during Thatcher's lengthy tirade at Dublin. A British popular daily called *News of the World* denounced "the arrogant French President Giscard d'Estaing and the high-and-mighty Chancellor Helmut Schmidt," calling on Britain to "be proud of its prime minister."

The left wing of the opposition Labour Party, led by

Anthony Wedgewood Benn and "shadow cabinet" foreign secretary Peter Shore, is beginning to campaign to "get Britain out" of the EC. From the Tory Party side, James Scott-Hopkins, the head of the Conservative delegation to the European Parliament in Strasbourg, is trying to persuade the European Parliament to reject the entire EC budget in revenge for Thatcher's Dublin debacle.

A more subtle approach

But some leading politicians in Britain are worried. Former Prime Minister James Callaghan declared in a speech on Saturday: "I think that you really cannot talk to the President of France or Chancellor Schmidt as though they are mentally deficient. They have a mental age rather greater than seven, you know ... I think the case will have to be better prepared and in a different way."

The London *Financial Times* Dec. 3, in an editorial entitled "The Mistakes of Dublin," stressed that it is high time Thatcher changed her tactics, since Britain should be interested in remaining in the EC. The *Daily Telegraph* reported that the Government will now adopt a more subtle approach, and will conduct a series of bilateral meetings with EC member countries to try to win over some support.

The shell game on North Sea oil

Over recent months, continental European nations have sought to pressure Great Britain into sharing its oil wealth with other members of the European Community. The government of Margaret Thatcher, however, has made clear by its actions that it never intends for such arrangements to occur.

Early last month London suddenly announced its first production cut-back in Brent Field, the largest oil field in the North Sea. According to the *Financial Times* Dec. 1, North Sea output from September to October of this year declined from 1.67 million barrels per day to 1.61.

The decision to reduce North Sea output is part of a "price-hawk" policy London has pursued. Throughout 1979, London has insured that its partners in the European Community would get not one drop of North Sea crude, by keeping supplies reasonably tight and selling only to a select group of multinational companies.

Not only British oil. The British government has

Britain on the outs

Guardian, Dec. 3: Having put a pistol to someone's head, threatened to shoot, changed one's mind, and then lifted the gun a second time—is it easier or harder to pull the trigger?

That is the question which Mrs. Thatcher must be mulling over in London this week, after her confrontation with other EEC leaders in Dublin.

She had made the Dublin summit as firm and unyielding a deadline for an acceptable solution to Britain's budget complaints as words would ensure. That deadline gave way in Dublin to another in

two or three months' time in Brussels...

Mrs. Thatcher knows that a great deal of her domestic, to say nothing of her international prestige, depends upon the high risk strategy of getting results. At the moment, the risks are more evident than the prospect of results.

Financial Times, Dec. 3: In Dublin, Mrs. Thatcher's fundamental mistake was to underestimate the genuine political difficulties her demands created for the other political leaders, and most particularly for the two most important, Presi-

dent Giscard d'Estaing and Chancellor Helmut Schmidt... Like many British politicians before her, she also underestimated French attachment to what President Giscard d'Estaing describes as the principles and logic of the Community...

Mrs. Thatcher still has her ultimate weapon—the threat to disrupt the workings of the Community... But Mrs. Thatcher is quite rightly not contemplating withdrawal. As a member, Britain should be interested in a successful Community, not one in a crisis... It is high time (Mrs. Thatcher) changed her tactics.

London Times, Dec. 3: What is frightening the rest of the EEC, as the Irish Times nicely put it on the morning after the Dublin summit, is not that Mrs. Thatcher is threat-

consistently acted to provoke the oil-producing nations of OPEC to enact price increases on contracted oil, making all supplies more unreliable and costly for Europe. Moreover, the British companies, BP and Royal Dutch Shell, along with other multinationals in the North Sea, have been repeatedly singled out as the gamemasters of the speculative price spiral on the controversial Rotterdam spot market, where noncontracted, across-the-counter oil transactions are made.

The advanced sales scandal

Beginning in early October, the British National Oil Company which has sizeable interests in North Sea oil, announced that it would make forward sales of North Sea crude for delivery in early 1980. BNOC revealed that the price for these forward sales was considerably over the ceiling of \$23.50 per barrel set by OPEC in June of this year. That move caused a competitive, worldwide bidding-up of oil prices which affected both OPEC and non-OPEC crude. It culminated when the North African OPEC producers, Libya, Algeria, and Nigeria, raised their price to between \$26 and \$27 per barrel, shattering the OPEC ceiling and insuring a dramatic price hike by the cartel at its mid-December meeting.

In all cases the advanced sales of North Sea oil have

gone to multinational companies, notably Royal Dutch Shell and British Petroleum. The continental state-owned oil companies have gotten no share. Over the course of the year, many of these European state-owned concerns, forced to compete with the multinationals on the rigged spot market, have suffered financially.

Continental criticism of London

Late last month, West German government officials condemned London for using its oil to drive up prices. Then, after the BNOC announcement of higher prices for forward sales, former Bundesbank director Karl Klausen, the French daily *Les Echos*, and the highly respected West German trade journal *Handelsblatt* all voiced anger at the clear British policy.

But recent news from London indicates that the message from the continent has not been heard. The Nov. 25 *Journal of Commerce* quoted Edinburgh stockbroker Wook MacKenzie saying that the North Sea price could go as high as \$32 to \$35 per barrel by January 1980, if OPEC enacts a 10 percent average price hike next month. That's the way the British play the game: lead OPEC in prices, force an OPEC price hike, then use the OPEC price hike as a pretext for a new British price hike, and the spiral goes on.

ening to take Britain out of the Community, but rather that she is threatening to stay in and perhaps cause havoc in the process.

The only thing that averted—some would say merely postponed—disaster in Dublin was last-minute acceptance of a suggestion by Italy and the Benelux countries for bringing forward the next summit from March to February to try to solve the intractable budget dispute.

The sponsors of this idea hope that progress can be made in the meantime in reconciling Britain's demands for budget relief with what the rest of the EEC is prepared to offer. The Prime Minister said afterwards that she could not turn down this proposal from "genuine friends" (one wonders where this leaves British relations with France and Germany).

It was with great reluctance that President Giscard d'Estaing of France entertained the idea of a special February summit. He said that he was finally persuaded by a promise from Mrs Thatcher that she would come to such a meeting "in a spirit of compromise". He also said that he would have to see progress first in the EEC disputes over fish, energy and lamb....

Mrs Thatcher may have the support of Britons for her tough stand in Dublin, but President Giscard d'Estaing equally enjoys that of most Frenchmen for resisting demands they consider unreasonable and contrary to the spirit upon which the European Community was built.

Britain's demands, if conceded, would more certainly destroy the EEC than would Mrs Thatcher's threat to be obstructive if she does.

not win her case, the French believe.

Le Matin, Dec. 1: [Thatcher's attitude] goes beyond a mere conflict of interests.... It tends to show that the British never regarded the construction of Europe either as a response to the challenge posed by the great world conflicts of the present age, or as a solution to international economic issues.

Ouest France, Dec. 1: When France played the part of the *enfant terrible*, one knew that in the end she would return to the fold. Today, when the British bang on the table one wonders whether they really belong to the European family, so foreign is their line of argument to the traditional mode of thought of the Community.