

## Will Britain be kicked out of the EC?

"The British cannot last, it is momentary and superficial. They will sink, or there will be a change in Britain. We will not let them do that." This is the response of one French banker to the British effort to launch the "petro-pound" and the City of London's supremacy on the bones of the dollar crisis created by the "Crash of 79" produced by the madmen of Iran.

This view is shared not only by banking circles in France, Germany, and even Switzerland, but more importantly reflects the views at the head of the French and West German governments. The undisguised efforts of the Thatcher government and the City of London to engineer the current crisis and use it to destroy the Franco-German alliance have given continental Europe little choice but to take the British head-on.

At stake for France and the Federal Republic of Germany is the entire structure of policy built over the past two years—the creation of the European Monetary System. That system rests on dollar stability, on an alliance with the Arab oil-producing nations, and on the strategic policy of East-West entente based on large-scale economic cooperation with the Soviet Union. The Iranian crisis is aimed at the heart of this policy: to bring down the international monetary system in a dollar crash, combined with an oil crisis, and culminating in a confrontation with the Soviet Union resulting from the threat of U.S. military intervention into the Persian Gulf.

Britain's bid for hegemony was proclaimed on November 20 in the *London Times*, which under the headline "The End of the Dollar," trumpeted: "International markets have already chosen the currency to replace the dollar—the pound sterling. Once again the City is in the prime international market, thanks to the liberal policies of Thatcher." As for the rest of the world, they add, it is "facing slump, hyperinflation, and anarchy."

The fact that the EMS is the real target of British finance was neatly explained in the anglophile Italian daily *Il Giornale* the next day. *Il Giornale* summed up the effects of the crisis: the EMS is finished—the Iranians will not take any dollars; there will be enormous foreign exchange speculation; the deutschmark

will be hugely revalued; and the European Monetary System will break.

The immediate stage on which the European response to British takeover efforts is being carried out is a surrogate battle within the European Community itself. The Thatcher government, bolstered by the prospects that the Iranian crisis has given them, threw down an open challenge to France and Germany in the form of a demand that Britain's 1.2 billion pound contribution to the EC be cut substantially to allegedly bring it more in line with what it gets back from the Community.

The British demand was the subject of an EC Finance Ministers meeting this past week. The ministers put forward a compromise on the issue, presented by West German Finance Minister Hans Matthoefer, a man known for his consistent pattern of following the lead of London rather than Chancellor Schmidt in Bonn. Thatcher's Treasury head Geoffrey Howe shocked even Matthoefer when he arrogantly rejected out of hand the compromise, understood by all to be favorable to Britain. London made it clear that they felt themselves in a position to demand all or nothing.

At that point Matthoefer blew up. According to the German daily *Frankfurter Rundschau*, he bluntly told Howe that "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."

This was not of course merely the view of one minister. Even the *London Financial Times* reported that "higher government circles in Bonn made clear that under no circumstances are they willing to jeopardize German-French cooperation on behalf of Britain's interests."

### **Giscard-Thatcher meet**

In this crisis atmosphere, French President Giscard d'Estaing traveled across the channel for a face to face confrontation with Maggie. With the *London Times* in its Nov. 19 editorial stating that "there could be a genuine crisis in Britain's entire relationship to the

Community," it was made clear that little room was left for compromise. The Paris daily *Le Matin* reported at the same time that for his part, Giscard was "more battle-ready than ever."

The talks followed precisely that description—Thatcher giving nothing and Giscard making clear that Britain must choose indeed whether it wishes to remain a member of the EC. Denouncing Britain's position that one can only invest what one gets out, Giscard is reported to have told Thatcher that France cannot do much about Britain's problems which "are by no means unique." The French President further pointed out that there is "another power in the EC which is paying in more than it gets out and does not complain—I mean Germany."

The talks concluded on Nov. 21 with a joint press conference where Giscard made it clear that the differences were irreconcilable and that they had agreed only to disagree. Pierre Hunt, the press spokesman for the Elysée Palace, told reporters, "with a big smile, mirrored in the faces of all the French journalists present, that the talks were frank and cordial."

#### **The strategic dimension: Gromyko comes to Bonn**

The larger strategic dimension of this crisis has not been left out of European calculations. The visit of Soviet Foreign Minister Andrei Gromyko to Bonn this week is the best indicator of the Franco-German determination to confront the crisis directly. Gromyko's stated agenda includes a discussion of "crisis spots such as the Mideast, Indochina and Africa," world economic issues and energy issues, disarmament and bilateral issues. Schmidt will be involved in the talks.

The issue that has received the most attention, however, is the European response to the disarmament proposals put forward by Soviet President Brezhnev last month in Berlin and the open U.S. pressure on its NATO partners on the continent to issue a firm rejection to the Brezhnev offers and accept placement of U.S. tactical nuclear weapons and medium-range missiles on their soil. While this has not yet been resolved, Schmidt told the Social Democratic Party parliament group that the Brezhnev proposals are to be "welcomed" and come in the context of the May 1978 accords reached between him and Brezhnev in their historic Bonn summit. Brezhnev's proposals, said Schmidt, take those accords further.

Schmidt is reported to have sent a long and detailed letter to Brezhnev before Gromyko's arrival on Nov. 21, a letter that both the *Financial Times* and the Italian daily *La Repubblica* report assure the Soviets of his desire for the arms talks proposed by Brezhnev. Production of new missiles and initiation of arms limitation talks are of equal importance to NATO, Schmidt re-

portedly told him. Given the NATO production schedule, he makes clear, the talks can begin well before the arms go into the deployment stage, thus making them available to be negotiated away.

The text of the letter, according to the same reports, also deals with world energy, European cooperation, the Middle East, and Africa. Perhaps the most interesting note in all of this was a call issued on Nov. 20 by Pope John Paul II from the Vatican. The Pope opposed any move by West Germany and Italy to deploy the new U.S. missiles and asked that Europe "seriously" consider Brezhnev's disarmament proposals.

This view is known to be held as well by Italian leader and former prime minister Giulio Andreotti who is waiting in the wings for a collapse of the government of Premier Francesco Cossiga. Soviet Central Committee member Boris Ponomarev met with Andreotti last weekend to discuss precisely this issue. He told him that NATO's plans to deploy the Pershing missile and cruise missiles have "the intention to create an arsenal of missiles for a first strike directed against the Soviet Union ... the flight of such a missile only lasts four minutes. Obviously there is no need to prove that this increases the risk of a nuclear conflict and in particular the risk connected with the possible launch of a missile."

Presumably a similar message was delivered by Gromyko in Spain where he stopped before his visit to Bonn. Aside from an important invitation to King Juan Carlos to visit Moscow, he proposed a nonaggression pact which would provide that the Soviet Union would not attack Spain in case of war, provided that Spain agrees not to deploy nuclear weapons on its soil. Such treaties, Gromyko said in Spain, are the policy of the Soviet Union with any country that neither produces, nor acquires, nor deploys nuclear weapons on its territory. In this context, he called for immediate negotiations on the Brezhnev proposals.

While the outcome of the specific disarmament talks is a complex matter, complicated largely by U.S. pressures backed by those of Britain, on its "allies" in Western Europe, it remains that the principal powers of the continent are delivering a message—"We will not let them do that" sums it up nicely. The real arena is determined by the European fight, backed up by strategic commitments with the Soviet end of Europe, to halt the mad crash into crisis and war through the establishment of a stable new international monetary and economic order. Europe can hardly sit back now, at the precise moment when those plans and programs are targeted for destruction, and watch the world crumble. Whether the madmen—in Iran, London, and Washington—understand that their plans will be met with such resistance is quite another matter.

—Daniel Sneider