

Cornered Britain moves to join the EMS

But change of heart was ordered by the crown's top think tank

For the first time British Prime Minister Callaghan has hinted publicly that Britain will seek membership in the European Monetary System. As reported in an early Dow Jones wire today, Callaghan told Parliament that "a zone of monetary stability" is absolutely necessary and that Britain will play a "constructive role" in developing the European Monetary System.

Callaghan's change of heart is implicit testimony to the unstoppable momentum created by West German Chancellor Helmut Schmidt and French President Giscard d'Estaing's organizing efforts which have swept a large chunk of Western Europe, Scandinavia and Japan into the EMS camp. Over the past two weeks, Greece, Switzerland, and Denmark have expressed their eagerness to join the new monetary system, while the two countries which Britain had hoped to draw into a "united front" of opposition to the EMS — Italy and Ireland — have also been won over by the obvious advantages of the Franco-German plan to their faltering economies. Britain, now completely isolated, has been forced to make an abrupt policy turnaround — at least publicly.

The British have been literally "cornered" by Franco-German diplomatic initiatives which have led right into Britain's own backyard. The Republic of Ireland is quietly being wooed with the promise of "soft," (i.e. low-interest) EMS-style loans by Schmidt and French Finance Minister René Monory who arrived in Dublin Nov. 6. Irish Finance Minister Colley is scheduled to visit Bonn this week to iron out the details of Ireland's EMS membership while Irish Foreign Minister O'Kennedy travels to Japan for talks with his Japanese counterpart, Sunao Sonoda.

Greece (which now has a high-powered delegation in Brussels for discussions on entering the European Economic Community) is also holding simultaneous talks on aligning the drachma with the European currency bloc in preparation for EMS membership. Greek Foreign Minister Rallis announced this week after talks with West German state secretary Dohnyani that Greece is very enthusiastic about joining the European Monetary System.

Whither the British?

Callaghan's sudden change of heart reflects little more than a repackaging of London's old "wreck the EMS" line, this time with slightly more attractive

wrapping. At bottom, British policy was and is geared toward sucking the European Community into deflationary policies and schemes for "dethroning" the dollar. Callaghan's expression of support for the EMS can be easily explained. It comes within a week of an important meeting of the Royal Institute for International Affairs during which Her Majesty's policy makers put together a new British public relations package on the EMS. Attendees at the meeting — including top financial figures, journalists and government advisors — agreed on a strategy of wrecking the European Monetary System from the inside, but shift-

Schmidt on the 'Grand Design'

An article by West German Chancellor Helmut Schmidt, published in the Nov. 9 edition of Le Figaro on the occasion of the 90th birthday of Common Market architect Jean Monnet, included the following comments:

The European Community corresponds to the economic and political necessities of our times. . . . There is no possible other choice. The states of Western Europe must unite if they want to affirm their identity vis-à-vis the East, the West, the North and the South, and efficiently defend their political, economic and cultural interests. Our first task is to preserve the dynamic of the process begun and keep in mind the 'Grand Design' of European unification. . . . Whenever the Commission of the Council of Ministers of the European Community is not able to reach agreement on definite orientations, the chiefs of state and of government must take the necessary decisions with all the weight of their authority. . . . The mandate of Bremen, in which the indispensable rules of a European Monetary System must be elaborated before December 4 and 5 so that a decision can be made, constitutes a first initiative in the sense of deepening the community. . . .