

---

## European Community

---

# Bonn and Paris put Britain on the ropes

by Vivian Zoakos

The Franco-German "superpower for peace" has taken an important step toward putting its house in order by restricting Britain's disruptive voice within the European Community (EC).

The final week of March and first week of April saw the British receive some serious setbacks in their standing and credibility within the EC. For the first time, the West Germans refused to play the role of arbiter between the warring French and British. West German Chancellor Helmut Schmidt and his ministers not only dropped their earlier compromise posture, but Schmidt went so far as to attack the British and Prime Minister Margaret Thatcher particularly as unreliable, "ungentlemanly" cheats.

The British, to their chagrin, were forced to swallow the "parity" system for European agricultural production embedded in the vote for new subsidies to the Common Agricultural Policy (CAP). Instead of reducing agricultural production, the new CAP subsidies are expected to substantially increase the production of agricultural products and "emasculate [British] . . . proposals for the curtailment of persistent surpluses," to quote the *London Times*.

In a statement on April 2, Chancellor Schmidt castigated the "triumph of national egotism over European solidarity" embodied by London. Saying he was "profoundly disappointed" by British tactics, he added that Germany "cannot allow a situation to continue whereby we pay the highest net amount [to the EC budget] while others treat us so unfairly."

On the same day, Schmidt's ally French President Valéry Giscard d'Estaing issued a serious warning to the British, questioning their chances for remaining within the EC. Giscard began by noting that his predecessor, Georges Pompidou, had only allowed the United Kingdom entry into the EC under "a great deal of pressure." Perhaps the EC should again be the "Community of the Six," he said. In any case, "1981 will be the year of truth. . . . Community rules must be accepted."

The latest round of EC meetings began amid increasingly bitter policy disputes within Europe, as the French and Germans faced off against the British and their oligarchical cothinkers on the continent. Differences

included the question of subsidies to Poland, desired by France and West Germany, and the issue of high international interest rates.

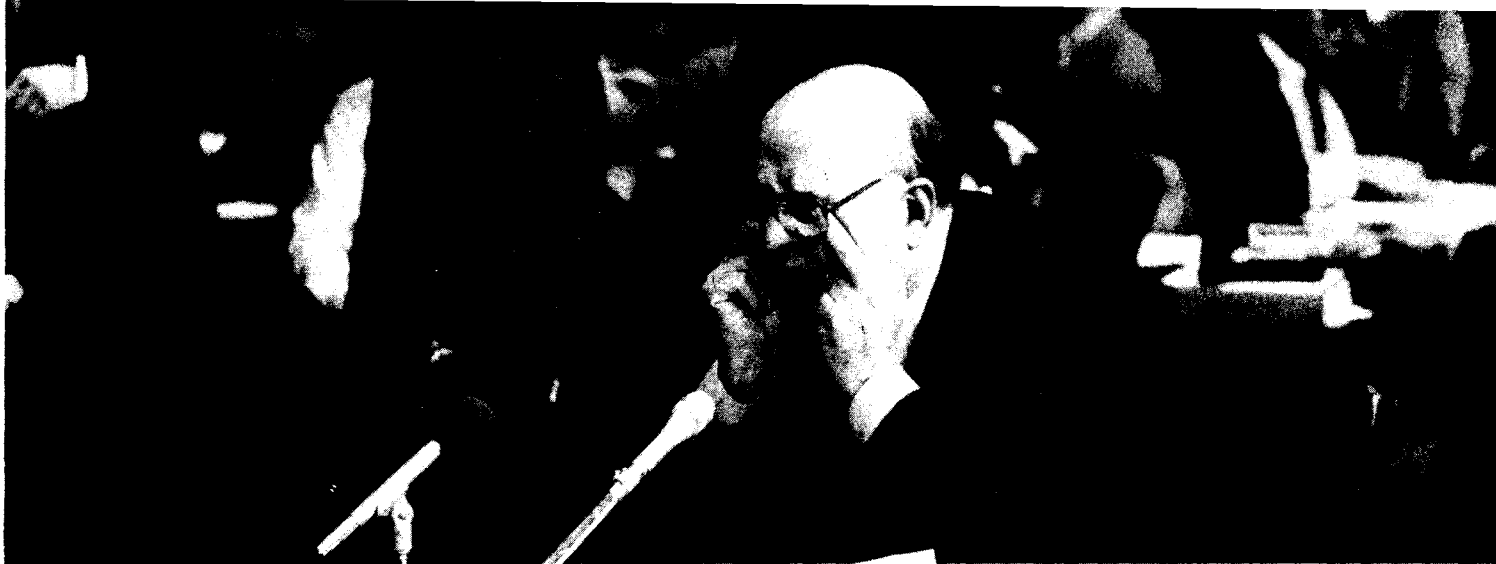
The same oligarchical grouping had just inaugurated a fresh assault against the European Monetary System created by Schmidt and Giscard. The Italian lira came under assault in March, forcing a heavy devaluation. Then on April 1, the Belgian central bank forced a collapse of the government, immediately putting pressure on the Belgian franc. The Belgian central bank is controlled by the jesuitical University of Louvain through the same Siena Group network which had managed the lira devaluation.

The bank raised the discount rate by 3 percent to 16 percent and the lombard rate to 18 percent, and put a strict limit on bank credit expansion: a Thatcher policy. The government responded with a call to eliminate the indexing of wages to inflation, and promptly collapsed.

The German financial daily *Handelsblatt* noted correctly at the time that the specific issue had little to do with succeeding events. The only real issue was to accelerate Belgian economic collapse through an accelerated implementation of "Thatcherite" monetarism, thereby undermining the economy, weakening the currency, and hence exerting pressure against the European Monetary System. It is noteworthy, as the Swiss *Neue Zürcher Zeitung* noted April 2, that the Belgian monarchy played an unusually central role in the crisis. King Baudoin, then in consultation with the visiting Dutch monarch, intervened to swiftly create a new government.

These events form the background of the firmness shown by France and West Germany in thwarting British policy in the course of the March 23 to April 4 EC meetings. In terms of internal EC policy, the core of the fight revolved around the Common Agricultural Policy, which consumes over 70 percent of the EC budget. The Brussels meeting of agricultural ministers, with West Germany refusing to bend to British pressure, concluded with an agreement to increase farm prices by 9.5 percent. The British were forced to capitulate, since the Germans had offered them no alternative compromise formula. The response in the British Parliament, when the agreement was made known, was an outcry against Agricultural Minister Walker. The London press wailed that this would inevitably mean increased food surpluses at a time when Britain's Malthusian policy calls for reduced consumption in Europe and abroad.

Schmidt noted that the British always break their "gentlemen's agreements," citing the compromise made last May. At that time the British had received a budget settlement that lowered their EC budget contribution from DM 5.37 billion to DM 1.69 billion in exchange for allowing German fishermen access to Canadian coastal waters. The Germans picked up the tab; the British still kept the German fishermen out of Canada.



**“The Volcker Fed banking reforms may be the single greatest threat facing the American economy at this time.”**

—David Goldman,  
Economics Editor, *EIR*

Federal Reserve chairman Paul Volcker and influential members of Congress are spearheading a drive to restructure the American banking system, which threatens to give the Fed and the money center banks top-down control over the deposits of regional financial institutions. Together with the Fed policy of high-interest rates, these “reforms” threaten to deprive the agricultural, consumer, and medium-size business sectors of vitally needed credits.

Now, the *Executive Intelligence Review* is making available a comprehensive study on this danger, exploring in detail the Volcker policies, how the current economic downturn is affecting American banks, and a growth perspective to revive the traditional national banking system.

## **The Undeclared War Against American Banking**

A special report from the Executive Intelligence Review,  
available January 1, 1981 \$50.

And for ongoing domestic and international intelligence, subscribe to the 64-page weekly journal, the *EIR*. The banking report will be provided free of charge with every annual subscription purchased through this offer.

# **EIR**

Executive Intelligence Review

**We sell intelligence.**

- Enclosed  \$50 *The Undeclared War Against American Banking*. Bill me
- Enclosed  \$65 3-month Introductory EIR subscription. Bill me
- Enclosed  \$99 3 month EIR subscription, plus *The Undeclared War Against American Banking*. Bill me
- Enclosed  \$396 Full-year EIR subscription, plus free copy of *The Undeclared War Against American Banking*. Bill me

Charge my subscription to:  Visa  Mastercharge  
Card No. \_\_\_\_\_ Interbank# \_\_\_\_\_ Expiration Date \_\_\_\_\_

Make checks payable to: Executive Intelligence Review, Dept. M, 304 W. 58th Street, 5th Floor, New York, New York 10019

Name \_\_\_\_\_

Title \_\_\_\_\_ Company/Org. \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone (\_\_\_\_\_) \_\_\_\_\_  
area code