

Report from Bonn by Rainer Apel

A change in monetary policies?

Monetary turbulence sparks debate about relations with Britain and a new Franco-German initiative.

The results of the French referendum on the 1993 European monetary union treaty (the "Maastricht" package) were not even known on Sept. 20, when leading German banking and industry representatives said that the crisis of European currencies would remain irrespective of a "yes" or "no" vote in France.

The outcome of the referendum, Dieter Spethmann, the former chairman of Thyssen Steel Corp., wrote in a newspaper column published Sept. 16, had become irrelevant because the British pound sterling had already been removed from the Exchange Rate Mechanism (ERM). This, he said, meant that the project signed at the Maastricht European Community (EC) summit should no longer be pursued. Instead, he proposed, a new project for integration should be worked on, one that would close Britain out for the time being and would proceed on the basis of closer cooperation among compatible economies of "core European nations," like France, Germany and the Benelux states.

The farewell to Britain in Spethmann's article was observed in other public statements, too. Meeting Italian Prime Minister Giuliano Amato in Florence Sept. 18, Chancellor Helmut Kohl denounced remarks made that morning by Britain's finance minister, who blamed the German monetary policy for the troubles of the pound sterling, as "totally inappropriate." This phrase was polite enough but Kohl's anger at London was evident.

Other politicians were less polite.

It was leaked in Bonn Sept. 20 that during emergency meetings of the EC finance ministers and central bank heads the week before, Helmut Schlesinger, the head of the German Bundesbank, threatened to leave the talks if British attacks on German monetary policy didn't stop.

On Sept. 17, Schlesinger said that he saw no need to support the pound sterling when the British central bank had more monetary reserves than the central bank of Italy, which was in need of support from Germany. (It must be said, however, that present German "support" for the Italians is for the drastic austerity program of the Amato government.)

Schlesinger's predecessor at the Bundesbank, Karl Otto Poehl, said in a Sept. 21 speech in Washington that the main cause for the weakness of the pound lay in the unsound policy of London. It was "generally acknowledged," Poehl said, "that the United Kingdom joined the ERM at too high an exchange rate; DM 2.95 was wishful thinking" (the pound was down to DM 2.53 when Poehl spoke).

Poehl conveyed a widespread view that the 1990 decision to let Britain join the ERM at a favorable exchange rate was "political," that it had less to do with realistic economic data than with the feeling of Kohl that he owed something to London for its (much-delayed) "yes" to German unification in the autumn of that year.

Poehl, Schlesinger, and other top bankers endorsed a new push for monetary union in Europe that would keep

the British out and concentrate on close Franco-German cooperation. With few exceptions, they called the withdrawal of the pound sterling from the ERM "no big loss," saying that it was even to the benefit of closer France-German relations.

The emergency summit Kohl and French President François Mitterrand held in Paris Sept. 22, however, did not capitalize on these developments, as the pragmatic Kohl avoided open conflict with the British (and their U.S. cousins) which would have resulted from pursuit of another exclusive Franco-German initiative.

But there is strong sentiment in Bonn for a genuine Franco-German policy. This desire, born in the wake of British sabotage of German efforts to pacify the Balkans, is now extending to monetary policy.

Wolfgang Roth, the economic policy spokesman of the opposition Social Democrats, attacked London as "the big mischief-maker of the past years, and especially the past 10 days," and said that "what England is doing" by misusing its present chairmanship of the EC to try to block any Franco-German move "is a big scandal."

Spokesmen of other parliamentary parties in Bonn joined Roth in his critique. Karl Lamers, the foreign policy spokesman of Kohl's Christian Democrats, declared that time was running out for the British to make up their mind whether they wanted to continue their maneuvering against the rest of Europe, or finally live up to standards of cooperation accepted by the continental nations.

Voicing government views, Mrs. Ursula Seiler-Albring, the assistant foreign minister and a senior member of the liberal Free Democrats, warned London against misusing its current presidency of the EC council for sabotaging German initiatives.