

TOP OF THE BOX

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### EMS

I took the opportunity of a visit to Brussels last week to establish certain points about progress in introducing this System. In no particular order these are:

- The date of introduction could well be December 6th as reported in the newspapers in the last day or two. Working details have already been agreed on a provisional basis. If the Summit agrees to go ahead fairly early on in its proceedings, as is intended, a team of very senior officials will work through the night to prepare a final version of the operational framework of the EMS.

- Terms for obtaining different kinds of credit as part of the reserve-pooling arrangements of the System are still being worked on by representatives of the Central Banks. It is not thought likely that this work will be complete very soon, since the issues involved are so tricky.

- Parity changes. It is difficult, not surprisingly, to find out what kind of concrete arrangements have been agreed, in particular how much consultation and how far in advance it will be insisted on. However, one is assured that there will be "reasonable latitude". That such latitude will exist is not difficult to believe when one looks at the experiences of the Snake currencies.

- It is not that likely that very formal procedures will emerge for co-ordination and convergence of economic policy. What it is suggested might emerge at an early date is a weekly or fortnightly meeting of Treasury officials from member countries. It is undeniable that such an arrangement could lead to a much greater unanimity amongst policy makers and raise the understanding at every level. But whether this meets the need for greater public understanding amongst Community countries is somewhat to be doubted.

- Relatively little work is said to have been undertaken on the EMF and ECU. One of the most important proposals likely to emerge at an early date is a "revisable currency basket". The essence of this is that the value of the ECU will be changed regularly to reflect the changes in the strength of the individual currencies which back it.

At a time when many people are claiming paternity for the EMS it may be interesting to record another story about its origins. Apparently there was a Franco-German study in 1977 of how to draw the franc back into the Snake. Even at that time both Schmidt and Giscard were feeling their way ahead to more ambitious ideas, particularly Schmidt who became convinced of the need to promote real progress within the Community after reading the Monnet memoirs. This growth of Franco-German interest combined with the Callaghan-Lever interest in monetary reform more generally and the American inability to do anything about the dollar in the Spring of this year. So incompetently have we played our hand recently that France and Germany - and perhaps other Community countries - could make life difficult for us regardless of what we now do. If we are unco-operative they will be unsympathetic and fear a return to the "Messina" attitude on our part. If we now do try to come in they will feel less inclined to make major concessions and increasingly keen to ensure that our participation in the scheme does not endanger their own objectives.

One consistently picks up stories about the Government's diplomatic incompetence in recent months. One example is the unintended consequences of Callaghan's recent Mansion House speech (which was in the main written by the UK representation in Brussels). The tone of this speech was so unfortunate that it destroyed any possibility of a joint Anglo-Italian approach to the EMS which (however, improbable) was the objective at the time and a sensible way to proceed. The second example illustrates also the extremely close nature of Franco-German relations. In the recent negotiations about the airbus, Callaghan sent a letter to Schmidt which included some indiscreet remarks about France. This was published in Paris within days... One must now assume that the French and Germans are capable of exchanging information received of many different kinds and at different levels and of the most confidential nature. It was put to me that the closeness of this relationship was of considerable importance in the matter of a "two-tier" Community. All that the French and Germans need to do overtly is to ensure that they are not outvoted in the Community institutions after enlargement. Their private relationships may then evolve to produce a more co-ordinated Franco-German approach issue by issue.

Finally a couple of points about the CAP, and a note about contributions to the Community budget. It is becoming increasingly likely that next year the CAP discussions will conclude price freezes on surplus products and, perhaps, a ceiling on the total cost. Privately all the Governments recognise that CAP must be changed and so does the Commission, which will simply not be able to finance it before long unless something is done quickly. The moral of this is simple and important-

it is high time that we began to consider what kind of CAP we wish to see emerge in the future. Unless we have some idea, we might come to office in a few months time quite unable to react significantly to what might be quite quickly moving efforts of long-term significance. On the Community budget front considerable importance attaches to the recent acceptance within the Commission of Tugendhat's Green Paper, which puts forward the argument that the Community financial arrangements should be progressive not regressive in character.

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ADAM RIDLEY

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