

## Role Reversal: How Andreotti Pulled The Wool Over The White House

On July 28, West German television commented on the masterful Washington, D.C. performance of Italian Prime Minister Giulio Andreotti: he "showed what a politician, even with nothing in hand, can achieve...One only need read Machiavelli to find out how." Andreotti's visit to the U.S. was preceded by nervous twittering from think tankers who wondered how to evaluate the recently signed programmatic agreement between Andreotti's ruling Christian Democracy (DC) and the Italian Communist Party (PCI). On the U.S. Administration side, the line was out that the Administration would deal with the Italian in the same hard-line, no-nonsense manner typically reserved for heads of states from countries of discountable economic and diplomatic weight.

### SPECIAL REPORT

Andreotti certainly had little to recommend him to Washington, and less that might have indicated successful negotiations. He was, after all, the man who had reinstated the PCI into the antechamber of government. He came as the head of a country with a gross foreign and internal deficit problem, with a nearly bankrupt industry, and needing a loan in order to finance the construction of nuclear plants. He was meeting with a White House which opposes Communist government participation and emphatically opposes the development of nuclear energy as the leading alternate energy source.

Yet, Andreotti left Washington with "precise assurances" for U.S. supplies to Italy of both natural and enriched uranium to feed Italy's nuclear energy needs, and Administration support for the successful negotiation of a sizeable loan from the Export-Import Bank to finance the construction of two nuclear plants. He also left with commitments from various American industries to increase their investments in the Mezzogiorno, Italy's underdeveloped south.

More remarkably, Andreotti was given the biggest welcome of any national leader visiting Washington since Carter's entry into the White House. During the course of their meetings, Carter went so far as to characterize the Italian as "my great friend," the "most accomplished and clever politician in the world," and similar statements clearly extending well beyond the demands of polite diplomatic protocol. The nervous think tankers, following meetings with Andreotti, were left twittering still — only now they spoke of the man's "enormous

charm," his success in "clearing up every issue" and the like.

Andreotti had succeeded in pulling the wool over the eyes of all Washington, with "nothing in hand," as German television noted. He had taken advantage of two factors: first, the notorious political stupidity of Carter. Secondly — Carter's personal deficiencies aside — Andreotti took full advantage of the fact that the Administration was facing a wave of defections from such European allies as West Germany and France. The Italian's trip was preceded by that of West German Chancellor Schmidt who maintained a polite facade of consensus with Carter, while underneath a raging confrontation was taking place during his U.S. visit. Similarly, France's Giscard d'Estaing had just given a much-publicized interview to *Newsweek* attacking Carter for his human rights policy, which he accused of endangering detente.

Andreotti prepared his visit by announcing from Paris during a stopover trip that he did not share Giscard's position on Carter's human rights policy, magnanimously referring to Carter as a befuddled politician who must be given time to learn. This assured that Washington would be prepared to give him concessions in exchange for this political support coming at a sorely needed juncture. Andreotti's statement, repeated later in an interview to the daily *La Repubblica*, came as a particular surprise from the head of a government which had consistently opposed any form of Western confrontation with the USSR and stood in the forefront of East-West trade negotiations.

During his stay in Washington, Andreotti also skillfully satisfied the politicians that his agreement with the PCI did not mean he had handed over the government to the Communists, in spite of the fact that everyone knows no political or economic decision can be taken in Italy without PCI support. The Italian Prime Minister also performed such services for Carter as subtly intervening into the U.S. President's "structural" statements during their conversations in order to "give them a political dimension" — a gesture which made the pathetic Carter "very grateful," according to knowledgeable sources.

Andreotti's performance, which amounted to a thorough role reversal in Italo-U.S. relations, both lulled the Carter White House at the moment when Europe had begun a definitive if hesitant break with the dollar (see coverage this issue), simultaneously leaving the Prime Minister with useful political currency to help squash the mounting opposition he is facing at home.

Andreotti's agreement with the PCI has generated frightened opposition from Atlanticist layers within his

own party typified by DC faction head Amintore Fanfani, who is now campaigning to disrupt an agreement concluded between the DC and the PCI to postpone elections in the fall. Fall elections would inevitably collapse the government and focus Italian politics on Byzantine internal maneuverings that would make it impossible for Italy to participate in the current active international negotiations for the creation of a new monetary system

to replace the dollar. The support of the leading U.S. Atlanticist circles which Andreotti's clever deception bought for him will tend to rapidly neutralize a substantial portion of that internal opposition, simultaneously gaining for Italy desperately needed financial credits for the implementation of the government's economic and energy programs.

## British Break With Dollar Averts Near-Term Union Conflict

British Premier James Callaghan has succeeded in working out a political holding action to keep the Labour Party in power by announcing simultaneously the decoupling of the pound from the dollar and a new "social contract" with the trade unions. However, any lack of aggressiveness on the government's part in implementing the general European shift to a new pro-Soviet, pro-gold monetary system (see article this issue), could immediately jeopardize these initial steps and open the way for a full-fledged confrontation with the unions.

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### BRITAIN

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The *London Times* of July 28 hailed the British decision to abandon the dollar as a victory for "those who put stability first." The *Times* continues, "This broad stance would seem to be in line with what the TUC (Trade Union Congress) has been asking the government to do on the exchange rate and is also in line with City (of London financier—ed.) opinion..." At the same time, Callaghan and the TUC general secretary Len Murray announced the agreement on a new social contract which, while completely sidestepping the contentious question of pay increases, reiterates the need for increased exports, reduction of imports, and an immediate increase in investment funds for industry. On the basis of the agreement with the trade unions, Callaghan forecast that "the country looks forward to the time when the IMF loan arrangements will no longer be necessary."

However, barely submerged under the government's efforts at cooperation and compromise with the unions is a hard-line stance against any attempt by individual unions to demand "inflationary" wage increases. Support for such a strong government stand, exemplified by Chancellor of the Exchequer Denis Healey's economic package announced July 15, is emerging from the government's Liberal Party coalition partners and others. There are now rumors of a "grand coalition" around this issue — which, if implemented, could force major splits between the Labor Party and its trade union base.

#### *Monetarist Subversion*

During the July 20 vote of confidence called on the Healey economic program debate, Liberal leader David

Steel warned the government that further Liberal support was completely dependent on the government's ability to keep the unions in line. Steel told Callaghan that if he was "soft" and allowed wage demands to push inflation rates to 25-30 percent a year, "we should decide that it would be in the national interest for the Government to go, and quickly."

The strategy outlined by Healey calls for strict government spending limits in the public sector and sanctions against private-sector industry which gives in to wage demands over the government's recommended ten percent increase over the next year.

Since most public and private sector unions have told the government they will be backing member demands for pay increases equal with current inflation rates (approximately 20 percent), the stage has been set for all-out confrontation between the unions and government. If the unions refuse to be persuaded to make a more moderate stand, Healey warned during the parliamentary debate, then "confrontation may become inevitable."

While there is no prospect of a collapse of the Callaghan government during the next several weeks, acceptance of the Healey policy will mean the ruin of the Callaghan government's industrial strategy for economic growth based on a working consensus between the government, the unions and industry. In place of the Callaghan strategy, political maneuvers are underway to form a broad coalition of self-described monetarist factions from all parties to impose the level of austerity which the Callaghan government is unable to implement because of its political dependence on the unions.

The right wing of the Labour Party, arrayed around Healey (now dubbed "number two" behind Callaghan), Carter-collaborator Foreign Secretary David Owen and others, is organizing a right-wing coup in the party. Key cabinet ministers, including Owen, are planning "grass roots" campaigns to bust up the trade union-left alliance in the local parties. Top right-wing Labour Party parliamentarian John Mackintosh laid out their strategy for a realignment of the Labour Party base in his call in the July 22 *Times* of London for the creation of a "realigned left-of-centre party...which would be tied neither to Marxist dogma nor to the trade unions."

Potentially key in the formation of an all-party coalition is the reemergence of former Conservative Prime Minister Ted Heath into the ranks of Tory