

EEC Ministers Quash British Reflation Scheme

European Finance Ministers, led by West Germany and France, have successfully squashed a scheme headed by British European Economic Community Commission head Roy Jenkins to impose a hyperinflationary collapse on European industry. According to the French financial daily *Les Echos*, Jenkins, "a Britisher first, above a European," failed at an EEC Finance Ministers meeting to persuade West Germany and other "strong" economies to launch domestic programs for massive increases in imports, and place their currencies under City of London control.

Bankers' spokesman and British Chancellor of the Exchequer Denis Healey walked out of the meeting following the EEC decision yesterday wearing his sour grapes on his sleeve. Said Healey to the press, since the Western Europeans don't want a new currency arrangement, we won't give them one.

Jenkins' scheme, floated under the names "European Monetary Union" and "A Marshall Plan for Southern Europe," would have hocked European industry and finance to wild pound-dominated speculation, and adventurer investments in North Sea oil. The proposals had been received so poorly — even before the Oct. 8 meeting — that an EEC Commission report on the "Marshall Plan" had been suppressed by its British authors.

Franco-German Alliance

The EEC Finance Ministers did not hesitate to attack both Britain and Jenkins by name in their rejections of the British subversion scheme. Summing up the fight, *Les Echos*, stated, "Since Britisher Roy Jenkins assumed the chairmanship (of the EEC Commission early this year), the Commission has been failing more and more every day in its mission to organize European policies." Jenkins "chose to propose this political line to the Commission (because) it favors his country, but is worrisome for the future of the (European) economy."

Typical of London's opponents is Wilfried Guth, chairman of West Germany's leading bank, the Deutsche Bank. In a press conference held one day before the Finance Ministers' gathering, Guth called for "an increased role for gold" internationally, because "we need industrial production and new technologies."

The Luxembourg Plan

Guth's statement was issued in Luxembourg, where the Franco-German industrial and banking forces are in the process of setting up a gold-purchasing market and a stock market for investment in European industrial equities.

One of the chief organizers behind the Luxembourg plan, West Germany's Dresdner Bank, recently made

clear that Europe's industrialists are looking for angles to bring U.S. industrial support behind the attack on London's centers of power. During a recent banker's gathering in Houston, Texas, on the occasion of the Dresdner Bank opening of an official branch there, Dresdner spokesman announced that they saw Houston as the future center of American finance, "in competition with New York and Chicago."

Understandably, informed sources in the West German Finance Ministry report that "British banks are very unhappy about" the Luxembourg effort, and "forces within the EEC Commission (i.e., Jenkins and company) are trying to do something against Luxembourg so that the whole Euromarket can be kept in London."

There is, however, a newly won confidence throughout European "Gaullist" circles that hard-hitting alliances can hold firm and defeat British subversion through determined cooperation.

This confidence was demonstrated by a West German Finance Ministry spokesman when he was asked what results he expected from the Oct. 2 meeting scheduled between Schmidt and British Prime Minister James Callaghan. Contemptuously, the spokesman asserted, "Don't worry about it — (French Prime Minister) Barre will be here in a few days."

W. Germany:

'There Is No Opposition'

Helmut Kohl, leader of West Germany's opposition Christian Democratic Union (CDU) has announced the next stage in the formation of a "Grand Coalition" between Chancellor Helmut Schmidt's ruling Social Democratic Party (SPD) and the CDU. "The CDU has ceased to be the opposition," he said at an Oct. 17 press conference. "It is no longer a question of opposition, but of life or death for the nation. I support Schmidt, and I would be doing the same thing he is doing."

Although Kohl was most prominently referring to his support of Schmidt's battle against the terrorist hijackers of a Lufthansa jet, the CDU chairman was also using the occasion to line up behind Schmidt's policies for economic growth and nuclear energy. He implicitly acknowledged Schmidt's superior leadership in a period of national crisis, a reversal of his earlier demand that the present government resign so that he could become Chancellor. Kohl's insistence on the Chancellor post for the CDU, which has an absolute majority in parliament, has been the major obstacle to more formal "Grand Coalition" talks.

Heinrich Geissler, General Secretary of the CDU, has undergone a similar transformation. As late as Oct. 16, Geissler was saying that Chancellor Schmidt was "obsolete" and "ripe for resignation." Two days later, he changed his mind and insisted that "in this situation, terms like government and opposition cease to exist."

Franz Josef Strauss, however, leader of the CDU's Bavarian sister-party, the CSU, remains a question

mark in this emerging constellation. During the hijacking, Strauss was visiting Saudi Arabia on Prince Fahd's invitation, and therefore was unable to intervene to sabotage collaboration between government and opposition, a role he has often taken. So far he has merely complained that he was not sufficiently informed by the all-party "crisis staff" while he was away.

Gov't Crisis Looms In Portugal

President Ramalho Eanes opened the Portuguese Parliament's session Oct. 15 with a warning that he "will not hesitate to assume broad political powers" if the nation's political parties fail to agree on a program to solve the country's ongoing crisis. Declaring that he has the backing of the military, Eanes reminded the parties that they do not "have much time" and said that he would not stand by and see Portugal sink into chaos.

PORTUGAL

Under the Portuguese Constitution, the President can either dissolve the Parliament or appoint a new prime minister to form a new government or both. Eanes' strong speech comes amid increasing general discontent with the Socialist monopoly government of Second International Prime Minister Mario Soares, and ever more insistent rumors that his government will hardly be able to survive beyond October, as four cabinet members have resigned within recent months.

Soares has been under constant fire from the Portuguese Communist Party for attempting to implement the policies dictated by the International Monetary Fund of denationalization and undoing earlier agrarian reforms. He is now facing fierce opposition from both the pro-working-class and the pro-IMF factions within his own Socialist Party.

Reflecting the healthy anti-Soares sentiment within the Socialist rank and file, last week 20 members of the party's Central Committee denounced Soares's IMF policies as a "continuous right-wing praxis" not to be tolerated in a socialist party. The Central Committee members' denunciation represented a de facto alliance with the communists, and followed by only a month the resignation of Agricultural Minister Antonio Lopez Cardoso over disagreement with the government's program that would give 80 percent of the expropriated

land back to its former owners. Lopez Cardoso and his faction, *Fraternidad Obrera* (Workers' Fraternity), have been given eight days to leave the party "voluntarily" or face expulsion.

Facing the threat head on, Lopez Cardoso called a press conference Oct. 20 in which he demanded an extraordinary national congress to discuss the Socialist Party's internal crisis. "We do not have to choose between the Socialist Party and *Fraternidad Obrera*," said Cardoso, and warned that the members of his faction include "four deputies, 12 members of the national commission, and thousands of followers" within the party's ranks.

The most recent shake-up within Soares's cabinet came a week and a half ago, when Foreign Minister Jose Medeiro Ferreira resigned his post. Medeiro's resignation was followed by a resignation threat from new Agricultural Minister Barreto, the architect of the government's agrarian counterreform, and a barrage of editorials from the Socialist press condemning the Prime Minister's inability to impose the IMF austerity package.

It is universally acknowledged that Soares cannot continue to rule alone. It remains open, however, what government or coalition will succeed him. Prior to his speech, President Eanes conducted meetings with all party leaders, including the Communist Secretary General Alvaro Cunhal. Although it had been reported that Eanes intended to form a government leaving out the Communist Party and the trade-union movement—80 percent of which is under Communist control—Eanes gave no indication of this during his speech, and in fact called for an alliance between workers, industrialists, and all political parties to elaborate a viable economic program. Eanes's speech was backed by Communist leader Cunhal, on the grounds that now "the basis exists to contain the offensive against the conquests of the revolution and the capitalist restoration policies of Soares's government."