

British Cabinet Forces Fundamental Change In IMF Loan Package

Dec. 10 (NSIPS) -- A majority within the British Cabinet successfully turned the tables on the International Monetary Fund team during their month-long stay in London when they clarified this week the conditions that would be acceptable to the British government in exchange for a 3.9 billion pound loan. The left faction, led by Energy Minister Tony Benn and Environment Minister Peter Shore, joined forces with the moderates in the cabinet, notably Foreign Secretary Anthony Crosland and Chancellor of the Duchy of Lancaster Harold Lever, to reject the package prepared jointly by the IMF, the British Treasury, and Chancellor of the Exchequer Denis Healey. The package reportedly called for immediate cuts in public expenditure of up to 3 billion pounds in exchange for the loan to be granted in tranches while British economic recovery was being monitored.

What has emerged from the two-week-long cabinet deliberations is a compromise package, which is clearly a blow to the prestige of the IMF as the "world's economic policeman" -- a package which, as the London Times warned Nov. 3, "the members of the IMF will have to accept" since "international institutions are not in the business of bringing down the elected governments of its major members."

Although the official package will not be announced before Dec. 15, informed press sources agree that the basic outline of the measures includes an immediate reduction of government expenditure by 1.5 billion pounds. According to the press sources, only 500 million to 1 billion pounds will be in actual spending cuts with the remainder made up of a reduction in debt-interest payments and a possible sale of government shares in British Petroleum, and future cuts of a similar magnitude in fiscal year 1978. These further cuts, the London Times reported Dec. 7, would "hinge on a commitment from other large countries to stimulate their economies and boost world trade thereby permitting Britain's export industries to re-absorb labor made idle through cuts in the public sector."

The fundamental issue in the opposition to the IMF's original package of draconian cuts was the industrial strategy of the government of Prime Minister James Callaghan which outlines a long-term revitalization of the British economy through export-oriented trade and investment. Significant backing for the government's stand against the IMF came from trade union and industrial representatives on the grounds that cuts in government expenditure would stifle the spending necessary for industrial recovery.

Government, Trade Union, And Industry React To IMF Loan Package

Dec. 10 (NSIPS) — The following are extracts from major speeches or public announcements on the debate over IMF loan conditions to Britain.

Trade Union

David Rasnett, General Secretary of the General and Municipal Workers Union, statement of Nov. 27: "If we cut back on public spending in this destructive manner--closing hospitals, reducing school building programs, cutting out sheltered housing, reducing nationalized industry investment--there is no way in which these resources will be transferred automatically into manufacturing. Quite the reverse. Such cuts, particularly in public sector investments, mean cutbacks in private manufacturing too."

Alan Fisher, General Secretary of the National Union of Public Employees, statement of Nov. 29: Cuts in spending would "seriously disillusion trade unionists...I urgently appeal to you (the British government--ed.) to resist proposals to cut public expenditure. Such cuts will increase unemployment in both private and public services while making no contribution to the solution of basic economic problems confronting Britain."

Geoffrey Drain, General Secretary of the National Association of Local Government Officers, statement of Dec. 6. The government should start "standing on its own two feet" instead of following "Treasury-inspired policies."

Confederation of British Industry

Lord Thorneycroft, President and John Methven, Director General of the CBI: impressed upon Prime Minister Callaghan during a meeting with him Nov. 25 that they would support minimal public spending cuts but that generally "contraction of the economy had gone far enough." In a subsequent meeting Dec. 2, they warned against further "massive deflation."

Press

London Observer, Nov. 28 editorial: "The IMF operating in a world already afflicted by recession, ought to have no more wish for deflationary policies than the

Government does. Such trends can too easily become internationally cumulative...Common-sense indicates that economic recovery depends on growth rather than deflation; that it is in the world's interest, as well as our own, that the IMF grants the present loan on terms which make that growth feasible."

Government

Prime Minister James Callaghan, Dec. 7: "There is no prospect of savage deflationary economic policies." He reiterated "the importance of the industrial strategy and continuing to follow a policy which tries to ensure a higher rate of investment and concentration on exports."

but warned that "there is no soft option...I do not promise any real easement in living standards for some time to come."

Minister for the Environment Peter Shore, speech of Dec. 5 warned about the threat resulting from cuts in social services "on which so much of the present standard of living is based...But serious though this threat is, the still greater and more abiding danger arises from external economic forces. We must by whatever means, achieve economic independence...It is the central task of a democratic and Socialist Britain to see that the government of Britain remains not only within Britain but in the hands of the British people."

Schmidt to Take Personal Charge of New Cabinet

Exclusive to NSIPS

Dec. 10 (NSIPS) — West German Chancellor Helmut Schmidt plans to keep his own Social Democratic-Free Democratic coalition cabinet on a tight leash when the new West German government is sworn in on Dec. 16. Schmidt "wants to run the important ministries himself," according to the Dec. 8 daily *Seuddeutsche Zeitung*, and will place his lieutenants in key positions while he personally undertakes foreign policy initiatives for peace and development.

According to numerous West German press reports, Development Minister Egon Bahr will move into the job of SPD Business Director, enabling Schmidt to control Bahr's extensive international contacts as a direct SPD foreign policy conduit. Next, Undersecretary Marie Schlei presently Schmidt's right hand advisor in his Chancellery, will get the crucial Development Ministry post.

The Foreign Ministry, which has been sabotaging West German participation in the North-South talks in Paris, may see Undersecretary Hans Juergen Wischnewski move into the Chancellery and Foreign Ministry Undersecretary, Karl Moersh resign.

Schmidt is already circumventing his junior Kissinger, Foreign Minister and FDP Chairman Hans Dietrich Genscher, by conducting his own foreign policy. After months of silence from Genscher on the Mutual Balance Force Reduction talks in Vienna with the Warsaw Pact, Schmidt stated publicly that he wants the MBFR talks to "achieve a controlled and balanced disarmament for the entire world." Schmidt is also planning a diplomatic initiative to get both Saudi Arabia and Iran to help the European countries' balance of payments problems, according to the *London Daily Express*, after a year of Foreign Ministry sabotage of European-Arab dialogue.

SPD parliamentarians have proposed that Defense Ministry Undersecretary Herman Schmitt be replaced by Andreas von Buelow, an SPD faction leader. One of the leading corporatists in that faction, Herbert Ehrenberg, will become an official in the Labor Ministry. Although he is seriously ill, no one is proposing dismissing SPD Defense Minister Georg Leber, and Schmidt's only change in the military command will probably be naming General Manfred Wust as the successor to the recently deceased Inspector General Armin Zimmermann.

W. German Parties Battle For Policy Control

Dec. 10 (NSIPS) — Since neo-Nazi Franz Josef Strauss split his Bavarian-based Christian Social Union (CSU) from the Christian Democratic Union (CDU), several weeks ago, West German politics has turned into a struggle between Atlanticists like Strauss and pro-development forces in both the Christian Democracy and Social Democratic Party (SPD) over who will benefit from the split.

Strauss was pushed into making the break by the pro-development faction of Christian Democrats; CDU chairman Helmut Kohl has recently been guided by pro-development CDU spokesman Gerhard Stoltenberg, Minister-President of Schleswig-Holstein, and Hans Koeppler, CDU chairman in the industrial state of North Rhine-Westphalia. Strauss formalized the split by stepping up his organizing of a nationwide fascist party.

The CDU responded by preparing a major organizing drive into Bavaria. A Christian Democratic local has already been set up in the Bavarian town of Erlangen. Strauss is also under fire from his own CSU, which is convening a party conference in January to challenge his chairmanship.

As a result of the split, Christian Democrats have been allying with the centrist SPD faction around Chancellor Helmut Schmidt, who praised Stoltenberg as "the best economics spokesman the CDU could have" after a joint CDU-SPD committee began coordinating federal and state budgets.

Strauss has been aided by both right and left wing SPD agents, who have threatened to split the SPD. Right and left groupings each claim they could split away 50 of the SPD's 200-odd parliamentarians. So far, the SPD has