

The Christian Democratic Party Congress

WEST GERMANY

Spokesmen in the West German Christian Democratic Union (CDU) led by Federal Parliament President Karl Carstens attempted to manipulate a special party congress on "Germany Policy" held in Duesseldorf this week into a cold war circus in support of U.S. President Carter's international "human rights campaign." Carstens' chief supporters in this endeavor were the Westfalen-Lippe regional organization, which constitutes one wing of the large North Rhine Westfalia state organization, and is presently under the control of former party General Secretary Kurt Biedenkopf.

Opposition to the "human rights campaign" was led by Gerhard Stoltenberg, CDU Prime Minister of the province of Schleswig-Holstein and spokesman for industrial leaders in West Germany. On March 10 Stoltenberg rose from the floor to demand that the CDU begin a national campaign on the subject of economic growth, built around a series of expert congresses on the subject of energy production. Stoltenberg emphasized that these congresses would also be a competent forum for discussion of environmental protection, whose prerequisite is economic growth.

The congress delegates did not participate in the debate between Stoltenberg and the "human rights" defenders. More concerned with local political problems, and swept up by the attacks on the socialist bloc, many of which centered on the controversial subject of East

Scandals Heaped On Western Europe

Hard on the heels of last week's double-barreled scandal salvo against the West German government and the intensification of the Lockheed affair in Italy, a new array of scandals has suddenly broken open in both countries, and threatens to hit Sweden as well. The sheer number of these affairs suggests to even the most skeptical observer that there must be a method to this madness.

This week's incidents:

— An alleged East German spy has been discovered working in the office of Rainer Barzel, former chairman of the Christian Democratic Union.

— *Der Spiegel* magazine has accused the Militarische Abschirmsdienst (MAD, West Germany's Military Intelligence Service) of illegalities in the agency's investigation of an Air Force pilot killed last year in a plane crash, who was under suspicion of working for a foreign intelligence agency.

— Swedish state radio, an outspokenly pro-Carter outfit, has predicted the fall of the Swedish government around a fission energy report to be issued next week.

— An independent truckers' union in Italy has struck the Milan-Turin region, forcing the shutdown of several major automobile plants. A leading official of the regional Italian Communist Party has publicly linked this action with the disruption of the government caused by the Lockheed affair.

Several reliable sources close to U.S. intelligence circles have raised the possibility of an early

collapse of the Italian government of Giulio Andreotti; in West Germany, however, the maximum effect of the scandals would be to create a "Watergate" atmosphere of confusion and lack of trust in the government. But if West German prospects change, one of last week's scandals could do the trick: the Federal Supreme Court has declared that a number of advertisements placed by the government in newspapers during last year's election campaign constitute a violation of funding regulations. Karl Carstens, President of the Bundestag and a prominent figure in the Christian Democratic opposition, has already formed a committee to investigate whether the elections could be declared null and void, thereby forcing reelections.

Their damaging effects notwithstanding, most of these scandals are patently 90 percent hot air. For example, in the West German "bugging scandal," which has drawn so many calls for the resignation of Interior Minister Werner Maihofer, the original *Der Spiegel* exposé described the bugging victim, Dr. Klaus Traube, as one of West Germany's three top physicists working on fast-breeder reactor technology. In addition, the *Frankfurter Rundschau* reported that Dr. Traube now wants to work on the joint European JET fusion project. This week, however, Dr. Traube stated in an interview with *Der Spiegel* that he is not a physicist at all, but merely a skilled mechanical engineer! And in a telephone interview with this press service, Traube denied any desire or intention of working on JET.

Germany, the delegates did not take particular note of the fact that Stoltenberg was fully supported by CDU Federal Chairman Helmut Kohl, who immediately endorsed the proposal for a federal campaign.

The Congress demonstrated that regional party leaders are not mobilizing in coordinated fashion for a public fight to assert economic growth policies against zero-growth attacks. The delegates thoughtlessly applauded both Stoltenberg's endeavors and the human rights propaganda, failing to make the connection that Carter's provocations against the Soviet Union are designed to render peaceful global expansion of

economic resources impossible.

Nevertheless, it would be wrong to conclude from the proceedings that support for the Carter policy in the CDU party machine has a firm foundation. It is most revealing that the presentations on foreign policy were made by three academic speakers, who were brought in by Biedenkopf and Carstens to create an environment in which political discussion could not occur, creating an appearance of unified support behind Carter's policies. In sum, the congress demonstrated that the factional battles which led, for example, to Kohl's support for Stoltenberg's proposal, are still occurring, largely in private.

Callaghan Walks Tightrope On Social Contract Negotiations

BRITAIN

Having successfully weathered the recent Parliamentary challenges to his government around Devolution (home rule for Scotland and Wales) and the rationalization of the shipbuilding and aerospace industries, British Prime Minister James Callaghan now faces what could prove to be the most dangerous threat to his government's continuation: the negotiations for a Phase III of the "social contract" between the government and trade unions. Callaghan himself has stressed on numerous occasions that success of the economic strategy is *the* critical issue for judging the success or failure of his government, and the government's relation with the trade unions is one of the most critical aspects of this policy.

For the last two years, the Labour government has succeeded in balancing low wage raises across-the-board with the promise of increased industrial investment, and eventual recovery of the economy. Ironically, just as most major economic forecasters, both public and private, are admitting that the government will very likely be able to virtually halve inflation and spark an export-oriented economic recovery by the end of this year, the strict controls of the past two years have caused such unrest within the trade union rank-and-file that the possibility of a third round of wage controls is in serious jeopardy.

At the same time, large sections of industry are complaining about the price controls that have accompanied wage restraint, claiming that it is impossible for industry to recoup costs and make investments in line with the government's strategy. A delegation from the TUC (Trades Union Congress) has already warned the government, however, that continued price controls are one of the rock-bottom demands for continuation of the social contract, since any explosion in prices, especially

food, would make it impossible for them to get their members to agree to continued wage depression.

Despite this apparent basic contradiction, negotiation does appear feasible. The stringent controls applied on government spending earlier in the year led to an overestimation of the Public Sector Borrowing Requirement, and Chancellor of the Exchequer Denis Healey has promised that up to £1 billion can be released into the economy in the March budget. Under pressure from both the TUC and the employers' association, the Confederation of British Industry (CBI), Healey has promised some form of tax cuts, although their exact form is not known. In addition, Callaghan made clear that the government is ready to support the re-introduction of differentials between skilled and unskilled workers as part of a third round of wage controls, to complement flat rate increases, as called for by both the CBI and TUC.

However, the negotiations are open to destabilization. The current strike of skilled machinists at the British Leyland Auto Company neatly encapsulates the range of problems the government is facing.

In 1974, the newly created National Enterprise Board took over 95 percent control of British-Leyland, and its chairman, Lord Ryder, drew up a 10 year investment strategy for the company aimed at retooling backward technology (investment per worker as a full one-sixth of that in Ford, U.S.A. and expanding production through increased exports of both auto and heavier vehicles.

As part of the plan, Ryder insisted that £1.5 billion of the £2.5 billion to be invested into the company during that period must come from internal capital generation of the company — a stiff demand for a company which had been registering continuous losses. Since the NEB takeover, the monstrosity large auto subsidiary has continued to show a loss despite the fact that for several weeks this year production in the auto sector maintained levels of 20,000 vehicles a week, the number needed for profitable operation, before disrupted by strikes in