

Edmund Dell stated in Parliament that "it is our wish to build up trade with the Soviet Union and that seems to us the right objective."

Further, in his opening speech of the two-day parliamentary defense debate which began on March 22, Callaghan's Defense Minister Mulley argued for Government-proposed cuts in the British defense budget on the grounds that the monies are needed for domestic economic expansion. "This was why the Government had

given overwhelming priority to the tasks of industrial regeneration and fighting inflation on which Britain's future depended," *The Times* of London quotes Mulley. Importantly for British intentions on expanding East-West relations, Mulley stressed that "NATO's policy of deterrence was still working and there was no imminent risk of aggression by the Warsaw Pact," reports *The Times*.

## Andreotti Says He'll Bow To IMF But The Battle Is Not Over

---

### ITALY

---

Italian Prime Minister Giulio Andreotti emerged yesterday after three days of preliminary consultations with the top leadership of all political parties to announce that his government will soon ratify the "Letter of Intent" which stands as the conditions Italy must agree to to receive a \$530 million loan from the International Monetary Fund (IMF). Andreotti further enunciated that *all* parties agreed that acceptance of the IMF conditions would be "to the advantage of workers."

To substantiate Andreotti's statements, both the Christian Democracy (DC), and the Italian Communist Party (PCI) issued press statements accepting the Fund's austerity packet.

Aldo Moro, DC factional right-wing leader, told the press that the party concurs with "the objectives indicated by the IMF," while Luciano Barca, PCI economist, authored an article in *Unità* fully exonerating the IMF from its genocidal policies. The decree-law to slash the cost of living escalator (COL) and increase the added value tax — the two most controversial clauses — wrote Barca, were not invented by the IMF, but were approved by the Council of Ministers even before the IMF delegation arrived in Italy. Therefore, the Fund cannot be accused of posing demands that were already up for approval. The PCI, however, is willing to propose "alternative" methods to slash the COL that will be acceptable to the trade unions, while simultaneously yielding the same or *better* results — without touching the "symbolic" COL system.

The IMF demands will gut the Italian economy and throw the country into Latin American levels of austerity:

- \* The Treasury deficit for 1977 must be contained at 9,800 billion lire.

- \* Internal credit for industries must be contained to 30,000 billion lire to be divided half and half between the public and private sectors.

- \* Public spending rate of growth must be less than the inflation rate for the 1977-78 period.

- \* The rate of inflation must be less than 10 percent in 1978.

- \* The increase in the cost of labor must be less than 16 percent in 1977 and less than 10 percent in 1978.

- \* The effects of the cost of living escalator must be "sterilized" (i.e. offset) by an across-the-board increase of added value tax on all products.

A few days after these demands had been made public, the Italian newspaper *La Stampa* revealed March 23 a number of secret clauses contained in the agreement:

- \* Immediate cutoff of all national government loans to the cities through the nationalized banking system.

- \* The reduction of Italy's balance of payments deficit from 2,300 billion lire to 500 billion by no later than March 1978.

- \* Central bank interference on the foreign exchange markets in defense of the Italian lira must be ended.

The question arises as to how the pro-growth Bonapartist faction in the PCI, the Andreotti government, and its allies can accept these outrageous demands when — until recently — they were leading spokesmen of the world anti-dollar battle. How could they embark on a path that will most likely lead them to a dangerous clash with the trade unions?

The answer dates back to the negotiations between leading Italian industrialists led by Eugenio Cefis and Soviet officials to set up a transfer ruble for trade credits. The criminal refusal of the Soviets to go ahead with the transfer ruble precipitated a process of factional weakening for Cefis which was most notably seen in the ousting of some of his key collaborators from Montedison. Recent reports from one of his closest associates indicate that, following the Soviet backdown, Cefis has been forced, under extreme pressure, to retreat from the arena of international politics and economics and get rid of Montedison's most financially sound operations: its banks and insurance companies considered to be the "family jewels."

As a result, the strength of the PCI's former staunch fight against the austerity typified by the IMF demands, as well as its commitment to technological growth, was severely hampered. Cefis's alliance with PCI bonapartists rested on the East-West trade networks and policy tendencies built in the party by Enrico Mattei, the late president of the public-sector oil company, ENI. With this alliance broken, the PCI bonapartist faction is left without viable industrial allies and is thus vulnerable to isolation.

### *By No Means Settled*

Although the PCI's hegemonic leadership is presently agreeing with imposing the kind of top-down austerity demanded by the IMF, the battle within the Party and its trade-union base continues. There are several indications of this. First, the Confederation of Trade Unions (CGIL-CSIL-UIL) held a general strike yesterday in the Lazio region explicitly in support of industrial growth and the cost of living escalator. Communist CGIL Secretary General, Luciano Lama, in his rally speech, issued a strong attack against the IMF to the point of polemicizing with Andreotti's government. Second, well-placed inside sources report that the CGIL — controlled by the Communist Party — is organizing internally its networks and locals in preparation for a gross denunciation of the IMF flunkies inside the government and the trade-union movement.

As per press reports today, there are initial indications coming from the DC and ministerial circles that Italy's commitment to fight for a new economic order are by no means entirely squashed. Under the headline "The New Challenge," the DC newspaper *Il Popolo* writes today

that the economic crisis is threatening to plunge European countries into the narrow logic of "national interests... Thus, it must be strongly stressed that until national policies continue to be conceived and realized without taking into account the broader supranational reality in which they fit, the existence of the (European) community itself is in fatal danger." It is illusory to think that single European countries can face international problems, continues *Il Popolo*. Whatever the problems may be, these must be faced together "harmonizing single strategies in view of the final meeting of the North-South Conference, whose ultimate goal is that of a more just re-equilibrium of the world's economies." Writing in the daily *Corriere della Sera* today, Treasury Minister Gaetano Stammati called for a new European economic system to replace the dollar as reserve currency. Only the creation of such a system, Stammati said, "can solve in the mid-term the structural crisis of the international monetary system, by flanking the dollar — with a European currency — as reserve currency. This is the indispensable condition for (having) an ordered growth of international trade, in turn premised on world development."

## 'Union Of The Left' Coalition Sweeps French Municipal Elections

---

### FRANCE

---

The Socialist-Communist "Union of the Left" coalition will now control about three-fourths of France's large cities following its "landslide" victory (by U.S. standards) in the second round of the country's municipal elections March 20. The key to the left's success was an unexpected cross-over by many previous supporters of French President Giscard d'Estaing's heterogeneous government coalition — referred to as "Presidential majority" — primarily from pro-development Gaullist voters.

The key nationwide vote patterns were as follows:

— The Union of the Left gained significantly in vote percentages over the previous week's first round, partly as a result of increased voter participation in close races, but mostly due to unexpected transfers from minority slates eliminated in the first round.

— Wherever a run-off opposed a "Presidential majority" list of Atlanticist and Gaullist candidates headed by a Giscardian or centrist advocate of monetarism or deindustrialization on the one hand, and a Union of the Left slate on the other, many Gaullist voters ignored the instructions of RPR Gaullist party leaders — who had called for a unified vote against the "collectivist" Union of the Left — and supported the latter, the *Communist candidates in particular*.

— This Gaullist swing factor role was especially obvious in large industrial cities like Nantes, Saint-Etienne and Le Mans, where the followers of independent Gaullist and former Foreign Minister Michel Jobert literally "gave" the election to the left. In Paris, a similar dynamic prevailed in many districts, with the consequence that Communist-led Union of the Left lists defeated three key Giscardian contenders — Giscard's handpicked mayoral hopeful Michel D'Ornano, former City Council president Dominati and Independent Republican parliamentary group leader Chinaud — sweeping seven districts, against nine for RPR President Jacques Chirac and two for the Atlanticists.

— Reciprocally, the Giscardian electorate often balked at the idea of supporting RPR-led slates, with the result that *all* components of the Presidential majority ended up on the losing side nationally. RPR organizational secretary Yves Guéna acknowledged this reality in an unusually frank radio statement March 20: "There is no point concealing it, we suffered very bad setbacks throughout the country."

Predictably, Atlanticist circles around the President and Interior Minister Michel Poniatowski now claim that the major cause of the government coalition's stinging defeat was the protracted tug-of-war between its Gaullist and Giscardian components, and more precisely the "divisiveness" introduced by Chirac's Paris candidacy, which the President opposed. Conversely, Chirac has denounced the Giscardians' lack of anti-left "voluntarism."