

French January Trade Figures Portend New Round Of Austerity

FRANCE

Government statistics released Feb. 21 reveal that France's foreign trade deficit for January 1977 amounted to a seasonally adjusted 2.4 billion francs, a 100 percent increase over December 1976, and the seventh consecutive monthly deficit of the balance of trade. Simultaneously, the official price index was reported to have risen by .6 percent, also a 100 percent increase over December. These announcements sparked an immediate new round of speculation against the franc, so far easily thwarted by Bank of France interventions.

French economists and government circles are discounting the significance of these poor results, arguing that the trade deficit is largely due to speculative oil purchases by French industries at the beginning of January in anticipation of the recent five percent increase of fuel prices, and to exceptional food purchases made necessary by the disastrous effects of last summer's drought on agricultural production. *Le Monde's* journalist Alain Vernholes even claimed Feb. 23 that, over a three-month period, there has been a clear trend toward a net decrease of the foreign trade deficit.

Despite these words of appeasement, the French government is gearing up for a new round of austerity. Bank-to-bank and overnight lending rates went up a quarter-point Feb. 23, and industrial firms are expecting new credit difficulties. In order to prevent excessive credit constriction, the government will reportedly lend

three billion francs to small and medium-sized exporting firms at a "preferential rate" of nine percent.

Beyond these stop-gap measures, the French government is preparing to implement Phase II of its austerity plan, named the "Barre Plan" after the current Prime Minister. Barre's intention, according to all press accounts, is now to "cleans" the steel industry of its improductive obsolete sections — a move which will result in 20,000 lay-offs in the next five years, as well as reduce production by some 3-4 million tons annually, according to steel industry spokesman Jacques Ferry.

Barre has also committed his government to a similar "cleansing" of the nationalized industry and transport network, such as the railroad firm SNCF, Air France, the electrical utility EDF, etc. According to preliminary reports, Barre wants to make state subsidies to the nationalized sector dependent on its ability to "rationalize operations" and "make profits." Such drastic conditions will inevitably result in new lay-offs.

The third major government project is to streamline the national Social Security (pensions and health insurance) system so as to alleviate the several billion francs deficit it incurred last year. Various proposals discussed at the last Council of Ministers' meeting Feb. 22 stressed the need to "fiscalize" Social Security payments, i.e. abolish or reduce the employers' premium share while raising income tax yields.

On the energy front, the government will try to prevent an increase of the national oil bill (51 billion francs in 1976) by slapping a ceiling on gas and electricity consumption by industries, starting next October. Beyond a certain quota, industries will have to pay a stiff "over-consumption" tax.

Giscard Tries For A Brokdorf In France

An anti-nuclear energy 'ecology' movement is building up in France with the encouragement of President Giscard d'Estaing, and there is talk of a more open Carter-Nader type alliance against industry. Giscard's cousin and *Le Figaro's* regular columnist Fabre Luce has suggested that it would be good policy to associate the eco-freaks with government studies and planning since their hatred of the pro-economic-growth Gaullists and Communists makes them the perfect allies to implement the kind of zero-growth society the president would like to bring into being.

Over the past week the French Naderites expanded their activities into a round of provocative actions to stop the building of nuclear fission plants in the Alsace and Isère departments, accompanied with an extensive propaganda campaign on the alleged danger of fission among the local populations. This past weekend 2500 ecology militants gathered in the town of Morestel, Isère, in what was a strategy planning meeting to expand the organizing, reported *Le Monde*, Feb. 22. The outcome of the meeting was the decision to lead a campaign for "auto-reduction" — the reduction of one's electricity bill

by 15 percent to protest the EDF's (National Electricity Company) nuclear fission plants construction program. The choice of the target was not made at random since the company has a large nuclear fission program, aimed at supplying 25 percent of the country's energy needs by 1980. While Giscard himself launched the nuclear program two years ago, he seems to be having second thoughts since the election of Jimmy Carter, as was otherwise indicated by his brake on export of nuclear technologies. This ecology movement is remarkably well-organized, boasting a newspaper, "Super-Pholix", a pun on the name of the French fast breeder reactor "Super-Phoenix," and even a clandestine radio station. It consists of various extreme left grouplets under the same leadership team of Atlanticist agents who direct the newspapers "Libération" and "Le Sauvage" (the ecology supplement to *Le Nouvel Observateur*). Both publications are closely tied in with the terrorist-running U.S. Institute for Policy Studies.

As the municipal elections approach, both the pro-Carter Socialist Party and the Giscardian *Républicains Indépendants* (RI) have associated themselves with the

anti-nuclear campaign. For example, two well-known zero-growthers are running for municipal councillor on the Paris electoral lists of RI mayoral candidate and Industry Minister Michel D'Ornano: Jean Pierre Colli, a foremost advocate of solar power and windmills, and Phillipe de St Marc, an aristocratic fellow traveller of the agents who launched the Maoist grouplets in the early 1970's.

As for the Socialist Party, following the endorsement of the Schlesinger energy rationing program for France by SP executive member Michel Rocard, local SP elected bodies are voting against nuclear installations in the Drôme Valley, while the Socialist wing of the CFDT Union is engaged in an array of provocative strikes in the key centers of the French nuclear industry including the La Hague recycling plant. While the possibility of a Socialist Party-RI government has been mooted repeatedly in the past, the strange alliance is proceeding rather cautiously at this point for fear of a backlash of business and labor into the Gaullist and Communist camps.

British Cabinet Reshuffle Strengthens Callaghan's Hand

BRITAIN

British Prime Minister James Callaghan sprang a major political surprise this week by naming a young and relatively unknown cabinet minister, Dr. David Owen, to the pivotal cabinet position of Foreign and Commonwealth Secretary. Seizing the opportunity provided by the sudden death of former Foreign Secretary Anthony Crosland, Callaghan announced a number of other minor but critical changes in the composition of his cabinet command structure. Callaghan will now command a greater amount of personal authority over both economic and foreign policy decisions, and can curtail the maneuvering room of ranking party officials who still stand in the way of a with Atlanticist control.

Callaghan's emphasis that Owen's appointment is intended to be permanent was a slap in the face for Chancellor of the Exchequer Denis Healey; during the negotiations for the IMF loan, Healey was most vociferous in his support for the IMF's tough austerity measures, which were ultimately rejected by a cabinet majority. Healey has made it known that his ambition is to be named foreign secretary, an ambition now likely to go unfulfilled.

Healey's standing in the cabinet was further undermined by the appointment of his assistant, Joel Barnett, to cabinet rank, supposedly to ease the pressure on the overtaxed chancellor. Following recent

revelations on how the Bank of England and Treasury Civil Service — the areas for which Barnett is immediately responsible — have connived to undercut the economic policies of elected Labour governments, Barnett's appointment will give Callaghan the ability to directly control their potentially disruptive activities.

Barnett's advancement has also split the Treasury's power down the middle, separating its straight financial policy-making role from its economic policy responsibilities. Such a split, the rule in most other European governments, has received strong support in the last two weeks from such knowledgeable sources as former Conservative Prime Minister Edward Heath and Cabinet Secretary Sir John Hunt.

To compensate for Owen's youth and relative inexperience, Callaghan will reportedly be taking direct control of foreign affairs, especially in the upcoming high-level economic summit of western nations, the Helsinki talks, and the meeting of Commonwealth nations in June. Callaghan has decided to strengthen further Britain's international role by designating a vocal supporter of the new world economic order, former Overseas Development Minister Frank Judd, as Owen's number two man at the Foreign Office. The appointment of pro-Third Worldist and African specialist Judd, plus reports that the new Foreign Minister Owen will visit Africa, indicate that the British are ready to make fresh moves to resolve the Rhodesian crisis.

Despite reports that Owen is close to pro-U.S. elements within the Labour Party's right wing, the tightly controlled set-up at the Foreign Office will make it difficult