

## Report from London by Dan Atkinson

### Behind the challenge to Thatcher

*A "New Cliveden Set" is emerging that wants to hand over decision making to Brussels, as fast as possible.*

In Westminster, as the whole world knows, the biggest talking point is the challenge to Mrs. Thatcher as leader of the Tory Party. What is not appreciated overseas is that the party's election procedure constitutes a "coward's charter" whereby big-name contenders can hold back from the first ballot and let a "stalking-horse" outsider test the water for them. If the stalking-horse gains enough votes for a second ballot, the heavyweights can then emerge from the shadows and throw down a serious challenge.

The stalking-horse angle on the challenge has been overplayed in the British press, though. Sir Anthony Meyer, the nominal challenger, is not simply a senile old buffer being used to test the water on behalf of the big boys. He is a genuine ideological opponent of the prime minister on the key issue of Britain's "integration" into an irreversibly unified Europe. Meyer and his shadowy backers have padded out his challenge with a manufactured set of "other objections" to Mrs. Thatcher, such as her attitude to the health service, the poll tax, and other matters. Of course, Mrs. Thatcher's policies on health, local taxation, and the rest have not changed during the past two years. The issue is British absorption into the European "community," and this is the battlefield upon which the Tory big-wheels hope to defeat the premier.

British policy toward the EC is increasingly being manipulated by a gaggle of "serious" newspaper editors, Tory cabinet heavyweights, Foreign Service officials, and business power-brokers. They now form a

brand-new version of the "Cliveden Set," which provided the motive power behind the appeasement of Hitler policy during the 1930s.

Semi-detached from this "New Cliveden" grouping is the former defense minister, Michael Heseltine, who has his own small but efficient machine and has made clear his pursuit of the Tory leadership. Heseltine, a former favorite of ex-Premier Edward Heath, is probably the most fanatical advocate of British integration into the "community." Heseltine wants a European senate and has spoken of a new Euro-imperialistic vision to fire the imagination of "youth" inspired in years past by Britain's "imperial mission."

Whatever the outcome of this leadership ballot, the prime minister's chances of long-term survival look shaky. The plain fact is that she woke up too late to what was going on in the "community" and her cabinet is now largely denuded of Euro-skeptics like Norman Tebbit, John Biffen, and even Nigel Lawson. There are plenty of such skeptics lower down in the party, however, and part of the hidden agenda behind this leadership challenge is to remove Mrs. Thatcher before she has a chance to promote them. The idea is to move one of the "New Cliveden" people—Geoffrey Howe, Kenneth Baker, Douglas Hurde—into the top position, and then to press ahead with the fastest possible transfer of major decision-making powers to the Brussels Commission in what will amount to an anti-democratic constitutional revolution in Britain and Europe.

*Meanwhile, in the City news of*

the takeover of merchant bankers Morgan Grenfell by Deutsche Bank came as little surprise to anyone who had been watching the activities of Deutsche in Amsterdam, Italy, Portugal, and Spain. Deutsche's chairman Alfred Herrhausen said the takeover of Morgan—Britain's top ranked merger and takeover specialist adviser—would give the enlarged group "an unrivaled and powerful team" and "the leading position in Europe." Ironically, until recently Deutsche and the other big German banks were held up as examples in the U.K. of what a good bank should be, backing industry and resisting destructive takeovers of its client firms. It is a mark of the speed with which "1992-think" has become embedded in the conventional wisdom that nobody thought it strange that Deutsche should be paying a fortune for a takeover specialist.

*Finally*, sterling started to dive at the start of the week of Nov. 27 as the economics masterminds on the foreign exchange trading screens finally twigged that new Chancellor of the Exchequer John Major has no intention of raising British interest rates this winter. Major's first action has been effectively to cancel the "long, hard winter" penciled in for the British people by his predecessor Nigel Lawson. One glance at the opinion polls convinced the Tories that a cozy, inflationary winter would be far more amenable to the British people. The strategy seems to be to try to hold the position together during 1990 and then to reflate further during 1991 in time for an election. However, further falls in sterling could leave this game-plan looking a little sick next year. If the Tories appear to be uninterested in controlling price rises, the electorate might decide that it may as well vote for the party—Labour—that never cared about inflation anyway.