

# Major shaky after Barings bankruptcy

by Mark Burdman

It has not been easy for the British Establishment to maintain its collective Stiff Upper Lip, ever since the Feb. 26-27 collapse, apparently overnight, of the eminent bank of the British Empire, Barings, sent shocks throughout institutions. One immediate consequence has been the accelerated unraveling of the government of Prime Minister John Major.

Less than 72 hours after the Bank of England failed to save Barings from extinction, Major survived, by five votes, a vote of confidence in the Parliament on March 11, on a bill involving British policy toward Europe. The latest polls show Major's Conservatives trailing the opposition Labour Party by 40%, and Major himself having an approval rating at around 10%. Even if polls are as much manipulations by the Establishment to publicly signal the views that are being bandied about privately in Britain's elitist private clubs as they are reflections of "public opinion," the publication of these findings is having a crushing effect on Conservative resolve and morale.

The reported results have little to do with enthusiasm for the Labour Party's opportunistic leader Tony Blair. Rather, they reflect disgust both at Major personally and at the results of Thatcherite free-market policies in Britain. The Barings collapse brings the disgust at the "sleaze factor" in Britain to a critical mass. This is not because of the reported behavior of Nick Leeson as such, but because what happened to Barings epitomizes the moral turpitude and recklessness of the British system, particularly since Margaret Thatcher entered 10 Downing Street in 1979.

According to one senior Conservative parliamentarian, the fear in the Party's inner sanctums is that "we will be massacred" in the "very important" local elections next May. This source speculates that the British Tories might soon suffer the fate of Canada's Conservative Party, which nearly vanished from the political map after receiving some 3% of the vote in the 1994 general elections.

Another insider, a regular at the confidential deliberations at Britain's exclusive Ditchley Park estate, told *EIR* privately that matters had reached such disarray in Britain, that a new government had to be brought into being by whatever means might be available. Britain required an early general election (as things now stand, elections will not be held until 1997),

"so that we have a majority government in power that can do something, rather than the rot and confusion that prevails now. It doesn't matter which party rules, only that it can rule."

## 'The Clinton factor'

The *coup de grace* for Major could be the latest diplomatic moves by U.S. President Bill Clinton on the Irish question. Clinton's March 9 decision to meet Sinn Fein leader Gerry Adams and to allow Sinn Fein fundraising in the United States grabbed the headlines in Britain, and upstaged a high-profile March 9 visit to Belfast by Her Majesty Queen Elizabeth II, her first to that strife-torn city since "the troubles" began in Northern Ireland in 1969. Since March 9, the British press has been filled with stories about the "widening rift" in British-American relations, and whinings about how Britain had been "humiliated" by the American President.

During a March 12-14 trip to the Middle East, Major made some grand-standing statements, to portray himself as "standing up to Clinton," and as the "defender of British interests." This may blow up in Major's face. On the narrower matter of Ireland as such, some of the hardline "pro-unionist" British parliamentarians have charged that Clinton's diplomacy toward Adams was made possible by Major himself having earlier "appeased" Sinn Fein. If a batch of "unionist" parliamentarians, whether in the Ulster Unionist Party as such, or within Conservative ranks, were to bolt from Major, it could undermine his shaky parliamentary majority.

Moreover, leading Establishment factions may decide that the exigencies of rebuilding ties to the United States, especially at a time of growing chaos in the international financial system, may require dumping Major and replacing him with somebody better able to "handle" the American "dossier."

## 'The by-product of a financial casino'

Meanwhile, with each passing week, greater numbers of Britons are expressing their rage at a combination of economic, political, and moral calamities.

The anti-Tory revolt is increasingly centered in the middle-class base which brought Thatcher to power. Blair has been gaining support during political tours through former Thatcher strongholds in England's southeast. Anti-government sentiment is building over issues ranging from cuts in the education budget to the deterioration in the increasingly "privatized" health service.

One London influential told *EIR* on March 15 that "what it all adds up to is a revolt against *sleaze*. The sleaze factor is destroying whatever support there might be for this government, especially as some new scandal breaks almost every day."

Typical was the March 6 resignation by Robert Hughes, junior minister responsible for the Office of Public Service and Science. It turned out that Hughes's understanding of

“public service” was somewhat broad, and had included an extramarital affair with a constituent. He was the *ninth* minister to resign since Major formed his current government in 1992, and the *fifth* because of what the British label “personal indiscretions.”

A far more damaging scandal, especially in the post-Barings climate, has been the government’s handling of the privatization of two state-owned electricity firms, PowerGen and National Power. Millions of Britons had bought shares in the firms, on the basis of government promises, outlined in a formal prospectus, that they would earn hefty profits. Right on the eve of the shares being traded openly on the British stock exchange, government electricity regulator Stephen Littlechild announced new price controls, triggering an immediate downward slide in share values. Some £3.5 billion in share values was wiped out overnight, and more than a million Britons lost money. Total share losses, according to the *Daily Telegraph* on March 11, are estimated to be £10 billion, “a fall equalling that in the stock market in the great crash of 1987.”

Government officials have admitted that some ministers knew that Littlechild was going to impose price controls. Yet they did nothing to report this knowledge to investors lulled into false confidence by the prospectus. Charges of “insider dealing” have been hurled against the Major ministerial team, both by opposition parliamentarians and by commentators in the British press.

What is happening with the manic British Thatcherite policy of “utilities privatization” should be a sobering lesson for those Americans who are being snookered by the Gingrich-Gramm Thatcherite mob into supporting similar approaches for the United States. Already on Feb. 18, a week before Littlechild revealed his intention to control prices, the London *Guardian* reported on a little-publicized decision that had been made by government minister Michael Heseltine, president of the Board of Trade, that allowed for “free bidding on the open market” for utilities firms, thereby removing all effective controls on who might buy such firms and putting the privatized utilities “up for grabs.”

*Guardian* writers Will Hutton and Nicholas Bannister warned: “Britain’s privatized water, electricity and gas companies are up for auction. Asset strippers, tax massagers, international conglomerates and the other tribunes of enterprise that constitute the ‘private’ sector are eyeing up Britain’s utilities. The provision of gas, electricity and water in Britain is set to become the by-product of a financial casino. . . . The government has, in effect, signalled it has no reason to object to any outside bid for a British utility. An open season has been declared.” Various tricks of “financial engineering” would henceforth take precedence over the supply of power to millions of British users. The two authors derided the whole “electricity privatization” policy as a “house of cards,” and stressed that privatization, overall, had “lost its glitter.”

## Sri Lankan peace enters crucial phase

by Ramtanu Maitra and Susan Maitra

As a shaky two-month cease-fire between Sri Lanka’s rebel Liberation Tigers of Tamil Eelam (LTTE) and the government continues to hold, fresh efforts to resolve the decades-old sectarian conflict, which turned bloody in the early 1980s, have hit a sticky spot. There are clear indications that both parties are jockeying for political leverage by making charges aimed at putting each on the defensive. Currently, neither the Tigers nor President Chandrika Kumaratunga has shown any intent to concede on the issues brought up during the previous rounds of talks; at the same time, neither side is eager to abandon the road to peace unilaterally.

Although a lot more is at stake, the issues which have kept the two adversaries sparring include the Tigers’ demand that the Pooneryn military base, located at the heart of northern Sri Lanka, known as “Tiger country,” be dismantled. Other issues include the lack of communication between the two parts of the country, an embargo on essential goods imported from central and southern Sri Lanka, and night fishing in the Jaffna lagoon. While progress on these issues is a prerequisite for holding the next round of talks, the solution lies in resolving what degree of autonomy the government is willing to allow to the Tamils in northern Sri Lanka, and obtaining a commitment from the Tigers that they would abandon the path of violence and protect the unity and territorial integrity of the island-nation.

In a recent statement, the Tigers indicated that they are willing to drop the demand for “Eelam”—an independent Tamil nation separate from Sri Lanka—but said they would do so only if “alternate proposals that give the Tamils security and self-respect” are put forward by the government in Colombo. The Tigers issued this statement in early March when President Kumaratunga, the initiator of the peace process, was touring the war-ravaged east. The Tigers have surely noticed that the Tamil population, over whom they had a complete lock even a short while ago, is keen to pursue peace and are increasingly rejecting the Tigers’ violence. President Kumaratunga is exerting steady pressure on the Tamils to force the Tigers to give up the religion of violence and settle for peace to end the 11-year genocidal ethnic war.