

Hobart Rowen

Post 12/1/72

Connally: Out of Headlines, But Surely Not Out of Power

IF YOU WANT to give a European businessman or banker a chilling thought, ask how he'd react to that silver-haired leader of the Democrats for Nixon, former Treasury Secretary John B. Connally, as the American Secretary of State. Says a high European official: "That could be considered only as a deliberately provocative act!"

Connally may temporarily have drifted out of the news headlines, but not necessarily out of power. He played a major advisory role in President Nixon's mountain-top shuffling of key men in and out of second-term jobs.

For example, with presidential assistants John D. Ehrlichman and Robert Haldeman, he helped wield the axe on Secretary of Commerce Peter G. Peterson.

Essentially an internationalist and free-trade advocate, Peterson ran headlong into Connally's hard-nosed effort to beat other nations over the head prior to the Smithsonian agreement on exchange rates last December. Along with Henry Kissinger, Peterson—then on the White House staff—helped to get Nixon onto a compromise path.

Peterson began to call for an end to the 10 per cent import surcharge and a quick settlement of the monetary crisis. But Connally wanted to let things slide, on the assumption that in a few more months, the U.S. could squeeze all resistance out of its trading partners.

Connally apparently didn't forget the Peterson challenge. And given Peterson's rejection of a faceless role as Secretary of Commerce, and his association with "Eastern liberal" types among writers and columnists, it wasn't too difficult to get Peterson bounced out of Washington, where he might again have crossed Connally if the Texan—after a suitable rebuilding of fortunes at the law firm of Vinson, Elkins, Searls, Connally and Smith—takes a top Cabinet post.

Here and abroad, those who are interested in seeing a long-range settlement of U.S. problems in the international economic area are deeply concerned by the prospect of Connally at the State Department—which, given the new turn of events in peace negotiations on Vietnam could be sooner than later. The foreign economic problems of this country are not insoluble,

but require good will, an understanding of other nations' particular needs, and the sympathy of some one not instinctively turned off by anything "foreign."

Those who doubt that Connally fits these requirements recall, for example, that last year he resisted devaluing the dollar by a small increase in the price of gold. But a gold price boost had political and symbolic importance to the French: If the French franc, instead, had been revalued (to accomplish the same franc-dollar relationship created by devaluation of the dollar), the value of gold as quoted in French currency would have been reduced. Try to sell that to Frenchmen who sock away Gold Napoleons in their mattresses!

The former Texas governor, whose strong, rugged character and success

in the business world is said to be greatly admired by President Nixon, tends to think mostly in terms of what is good for the U.S. During last year's negotiations, he bluntly told a top European worried about the exchange rate changes that the only real question from the U.S. point of view was what the American consumer would be able to buy for his dollar.

Right now, Europe is worried as much about its security as trade and economic matters. It observes the closer relations between Washington and Moscow, and between Washington and Peking. As French President Pompidou told Scotty Reston of The New York Times, Europe is not quite sure what all of this means.

Pompidou argued that the time had come for a summit meeting on political problems, after which economic issues would fall in place. It was a suggestion paralleling one made a few



Drawing by Oscar Berger

weeks ago in New York by Italian industrialist Giovanni Agnelli, in what was tipped as an urgent Common Market trial balloon.

The Nixon administration clearly believes that it is entitled to a better deal on trade matters with Europe and Japan, even though it rejects the Burke-Hartke protectionist approach, some relief through a revaluation of the Japanese yen is now in sight.

Doubtless, the Europeans can manage to curb some of their restrictive tariff and non-tariff practices. But what they need assurance on, as Pompidou told Reston, is the U.S. political attitude toward Europe. They want a re-affirmation of American support for European unity—and they fear a U.S. Soviet deal that might affect Europe's military security.

This and related delicate questions underlie the more arcane arguments about trade and quotas, floating rates and the price of gold.

The question is whether Mr. Nixon can find the appropriate diplomatic bargaining path, as he did with Pompidou a year ago at their Azores meeting; or whether he will retrogress to the Connally, knocking-their-heads-together approach of the summer of 1971.