

# Europe says no to China card

## Giscard reemphasizes role of European Monetary System

The initially balanced statements from Europe, criticizing China's invasion of Vietnam and, in turn, Vietnam's disputes with Cambodia, have evolved into strong criticism of Chinese aggression. On Feb. 27, the European press broke the story that Chinese aggression against Vietnam had led in Western Europe to a sharpening of those factional alignments already deepening prior to the current crisis.

As identified by Italy's *Corriere della Sera*, acute "tension" has developed between France and West Germany on the one side and Great Britain and the U.S. on the other, with the dividing line being the issue of relations with the Soviet Union and related questions of international economic policy. It is in this context that French President Giscard has again pushed formation of the European Monetary System to the forefront of the diplomatic agenda (see below).

France's former defense minister and diplomat Georges Gorse in an authoritative article in *Le Monde* Feb. 26 detailed the French point of view. First, Gorse praises the Vietnamese for aiding the Cambodian people to "finally free" themselves from the "abominable regime" of Pol Pot, dismissing the contentions of China, the U.S. and Britain which have pretended to equate the Chinese invasion of Vietnam with the liberation of Cambodia.

Actions taken by the French government and subsequent information have confirmed that the policy viewpoint advanced by former Minister Gorse corresponds to that of French President Giscard d'Estaing. Furthermore, the West German government of Chancellor Helmut Schmidt shares the same policy outlook.

On Feb. 27, the French publication *Lettre de L'Expansion* published portions of a report authored by French intelligence which shattered any mythologies about a "limited" Chinese aggression against Vietnam. The report evaluated that the Soviet Union would retaliate against Peking by unleashing a conflict that would have "incalculable consequences" globally. The French intelligence report was reviewed by major press outlets in Italy, such as *Corriere della Sera*, which concluded correctly that the report echoed the views advanced by Gorse.

The French government last week issued a communiqué urging the halting of the aggression (by Peking

against Vietnam) and withdrawal to the international frontiers by the invading forces." Later, on Feb. 24, the French ambassador to the United Nations reiterated this demand warning against the serious risks of escalation at the Security Council debate and dissociating France from the U.S., Chinese and British position.

West German Chancellor Helmut Schmidt took the same position that West Germany, like France, is opposed to any obstacle blocking East-West detente. Schmidt also stated once again that his government is determined not to sell weapons to China.

Further indication of the Franco-German commitment to preventing World War III came from West German Defense Minister Hans Apel. Just back from a visit to the U.S., Apel diplomatically said that for West Germany, Moscow comes before China. He told the press that (because of Washington's current policies), a stronger Bonn-Washington axis as the "new backbone for NATO" was impossible as "it would weaken West Germany's international position, mainly among the Warsaw Pact states. There would be mistrust in the East...."

## 'French secret report predicts Soviet response'

*Several European publications have reported on a French Secret Service report predicting a forceful Soviet response to the Chinese invasion of Vietnam. Following are excerpts of the account in Italy's Corriere della Sera, which appeared Feb. 27.*

It was a report by the French Secret Service that provoked the recent stand by Giscard against China and, Friday, the decision to sound the alarm shared by German Chancellor Schmidt. This report in fact implies a Soviet "response" in the Vietnam-China conflict, and an enlargement of his conflict, "with incalculable consequences." In light of this document, Giscard, who a few days earlier still thought a limited conflict was possible, quickly judged it opportune to deliver a warning to the West on the risks (according to *Le Monde*) of an "insane gamble on Soviet passivity."

## Schmidt: France, BRD concur on Indochina

*In an interview with Corriere della Sera Feb. 26, West German Chancellor Helmut Schmidt discussed the nearly operational European Monetary System and its role in bringing political stability to Europe. In that context, the Chancellor commented on the conflict between China and Vietnam and stated emphatically that his government, unlike that of fellow European Community member Britain, would not sell arms to China.*

*Q: Mr. Chancellor, a political crisis developed in Italy over the question of whether to join the EMS or not. Because of that we now are disappointed: can you explain how a decision of such historical import has been embroiled in interests which certainly have no historical value?*

*A: I share your disappointment. ... I continue to hope that in the course of the coming weeks we can overcome the difficulties that suddenly emerged in the course of the meeting of the agriculture ministers shortly before Christmas, around the problem of the compensatory amounts — a difficulty that today impedes the full functioning of the EMS.... The currencies are behaving well. They are behaving as if the EMS were already functioning.*

*Q: Mr. Chancellor, a new war has broken out in Southeast Asia. Do you see in this new danger for detente?*

*A: I am worried about the situation. The European Community, to which both Italy and the BRD belong, has asked France, which is currently holding the EEC chairmanship, to express this concern. On the other hand I don't include myself among those who present the situation with exaggerated and pessimistic predictions for the future of the whole world. Such a prophecy, once it starts circulating, can become self-fulfilling. So far I consider only those*

positions, from East and West, that don't include threats of intervention.

At the end of the recent meeting with President Giscard d'Estaing, I indicated three points:

1. Between us and France there is agreement of views about the attitude to take on the Southeast Asian conflict;
2. We agree also on the fact that each state must respect the territorial integrity of its neighbors;
3. Finally we agree — and I explicitly emphasize this — that the events in Southeast Asia must present no obstacle to the continuation of our policy of detente between East and West.

*Q: You also received a letter from Brezhnev. I don't know if you have replied to it. You said, however, that the BRD would not furnish arms to the Chinese: among all the recipients of Brezhnev's message, you are the only one to make such a public commitment. Why?*

*A: I have already responded to Brezhnev's letter. What I said publicly is a foregone conclusion for my country. This commitment goes not only for China, but also for the Soviet Union and other states of the world. For 10 years we have followed a consistent policy, by which we furnish arms and military equipment only to our allies. China is not our ally and therefore we don't sell arms to China, nor to Japan.*

*Q: You would refuse to sell even if it might compromise commercial relations?*

*A: Yes.... We don't give arms to Vietnam, to Cambodia, to the African states or to other states. It is a linear policy, which we have not changed on account of Mr. Brezhnev's letter.... I should add that the Chinese know of our policy and they have not asked us for arms.*

The existence of this secret French report (which was supported yesterday by the intensification of the Chinese offensive, and the news of the Soviet airlift, is revealed by the *Lettre de l'Expansion* of yesterday. According to this source, it also seems that tension is developing between Paris and London because of the sale of British Harrier planes to China, confirmed in recent days. Giscard (who earlier agreed to negotiate with the Chinese on the sale of armored cars) is in fact convinced that the West must "limit as much as possible" the sale of arms to China: and in this context a "hard line" has been taken against London, along with a "critical line" towards Washington.

## 'Can't the USSR say it's being encircled?'

*Georges Gorse, former Minister in the French government and now a deputy of the Gaullist party (RPR), argued in Le Monde Feb. 25-26 that China, not the Soviet Union, is endangering world peace. He brings his article, excerpted below, citing a conversation he had with General de Gaulle on this subject.*

...De Gaulle told me, somewhat schematically, "the USSR and China will one day soon begin feuding: we

must do everything so that on this day the Russians consider themselves to be Europeans again.”...It is evident that this affirmation implied, in his thinking, the necessity of conceiving the policy of detente and cooperation with the Soviet Union which he later implemented...

I will admit that I am concerned to see so many people rushing towards China, which, we are told, is awakening. But there are several ways of awakening. Perhaps it would have been better to wait and see how this great country, whose about-faces have been so impressive in recent years, evolves. The reasons for this infatuation are obvious: for some it is to get a place on this immense market. For others, it's a strategic question: to balance Soviet military might. Mr. Nixon said it on French television, President Carter did not deny it, Teng Hsiao-ping repeated it, more aggressively. I am glad to note that the President of the (French) Republic has shown a completely different concern for balance and caution.

Certain eminent specialists (it is easy to pass for a “specialist” in France when you talk about a region that people don't really know anything about ...) affirm that China is encircled, or at least has the feeling of being encircled, which explains and justifies its reactions or actions. Simple geography shows that this is not evident. Who is encircling who? ... Don't the Russians have the right, on their side, to feel encircled? On one side China, which is being armed, Japan which has signed a treaty with China and America, afar. On the other side, Europe, where there is every reason to believe that the integration wanted by some will include the military level...

## Le Monde: 'a warning from the Elysee'

*Here are excerpts of an analysis of the French reaction to China's invasion of Vietnam as presented by the daily Le Monde Feb. 25.*

The affair was discussed at length by Mr. Giscard d'Estaing and Mr. Schmidt on Friday in Paris.... No joint declaration was published, but a little later the Elysee defined the French position.

One could regret the careful language in the French declaration, which does not cite any country and limits itself to reaffirming general principles.... (But) within several days the French authorities have hardened their position towards Peking: ... Paris is now implicitly condemning the Chinese offensive and calling for a concrete measure: the withdrawal of Peking's troops.... The massive offensive launched by Peking constitutes a demented bet on Soviet passivity.... The United States continues to put Peking and Hanoi on the same footing,

by putting the Cambodia affair and the present crisis on the same footing.

One can also not forget that one of the great differences between Bonn and the United States precisely concerns the Moscow-Peking-Washington triangle. Mr. Schmidt has always reproached President Carter, and especially his advisor Mr. Brzezinski, for playing with fire by giving too broad support to China and in particular for not having more firmly discouraged Teng Hsiao-ping from such an adventure when he was in the U.S. Far from representing an alignment on American positions, the evolution of the French position marks, on the contrary, the accentuation of a divergence which could in fact have repercussions on the French project for selling defensive weapons to China....

## 'Carter's Pole gave Teng a green light'

*It was Zbigniew Brzezinski who facilitated the Chinese invasion of Vietnam wrote Philippe Bernet in VSD (Vendredi-Samedi-Dimanche), the French weekly, in its Feb. 22-28 issue. Mr. Bernet is reputed to have contacts within the French Interior Ministry and the SDECE, the French intelligence services; he specializes in terrorism.*

For once the Americans were not taken by surprise. The gravest world crisis since the Cuban Missile Crisis: the lightning expedition of the Chinese in Tonkin, was not only expected by Washington; Washington programmed it. The only thing the U.S. did not know was the D-Day the punitive expedition would be unleashed against Vietnam. Friday, while he was in Mexico finishing up a trip that had been rather humiliating, Carter was secretly told it was the next day....

Starting with his first stay in China in May of 1978, “Zbig” discovered in Teng a realist, a privileged partner, open to his ideas. At the beginning of their secret meetings, Teng was a bit skeptical. Did Zbig really want to provoke a Peking-Washington rapprochement?... For 10 months Zbig will be the advisor of Teng as well as the advisor to Carter. Through his encouragement, his support, he will contribute to the consolidation of Teng....

At the same time in Washington Zbig himself makes a prodigious comeback. With the impossible peace between Egypt and Israel, the dramatic evolution in Iran, so many defeats for Cyrus Vance, Carter needs a success to wipe out all those failures. Zbig brings him one on a platter Dec. 15 in a speech prepared in secret by Michel Oksenberg who participated in all the Zbig trips to Peking. Carter announces the official normalization of relations between Washington and China. “Zbig” himself controlled the text of the speech....

# Giscard moves EMS to front burner

French President Giscard d'Estaing is using his current trip to Mexico to reemphasize the Franco-German commitment to make the implementation of the European Monetary System a top European Community (EC) foreign economic policy. In a Feb. 26 interview on the Mexican television program "Twenty-four Hours," printed in the Mexican daily *Novedades* the next day, Giscard became the first European head of a member state in the EMS to announce explicitly that the EMS is no mere intra-European currency float. It will, he said, "control gold and the dollar in the foreign exchange markets...."

The EMS will in its full implementation stages, Giscard said further, produce an international gold rate for the dollar by making gold and the dollar interconvertible, as well as convertible into all European currencies at stable rates, through the clearing mechanism of the European Currency Unit (ECU).

Giscard also stressed that the EMS is a global institution for Third World development: he invited the Mexican National Bank to participate through the ECU clearing mechanism. Finally, he laid to rest the continued lies by antidollar British-school economists such as Robert Triffin that the ECU will, modeled on the IMF's SDR, be used to replace the dollar as a circulating international currency. Rather, Giscard said, the ECU will be used under the dictates of the reason of governments, by central banks alone.

In a related development, French official sources in Washington told the *Executive Intelligence Review* Feb. 27 that West German Chancellor Helmut Schmidt is in "full agreement with President Giscard on all aspects of the EMS negotiations" to finalize European exchange rates. These have been held up since December by France's legitimate demands for removal of the EC's archaic subsidies now preventing the technological development of European agriculture. The French official revealed that dissident West German Economics Minister Count Otto von Lambsdorff, who last week "predicted" the EMS would not be finalized until June, "was just speaking for himself. He's in back of German Agriculture Minister Oertl's opposition to the French; they're both supporting the backward Bavarian peasants. Lambsdorff's Free Democratic Party is threatening to bring down the Schmidt government. But

Schmidt intends to shove the EMS through in collaboration with Giscard at the March 11 EC Heads of State Summit — on the heads of state level."

Excerpts of the interview follow:

*Q: Has the new European Currency Unit (ECU) conceived by France and Germany been put at the disposal of countries who can't make their purchases in dollars?*

*Giscard:* I don't know if the Mexican audience is familiar with the European Monetary System. In effect, it is a unit which will be put into effect gradually. Our (the EC's) objective is to arrive at a stability of exchange rates between the different currencies and to try to unify ourselves (the EC central banks — ed.) in a central currency, in this case the "European Escudo" (ECU). This will be utilized by the central banks from the time at which this system is initiated, which is to say from this year, to effectuate the regularization between them. In this manner, we will progressively control gold and the dollar in the foreign exchange markets until we are able to convert either into gold, ECUs, and foreign exchange, whether dollars or other currencies.

You ask me if the Mexicans will be able to use the ECU. In principle, not even the French will be able to do so. It will be bank money (i.e., central bank — ed.), but in the second phase I believe that other central banks (i.e., non-EC), for example, the National Bank of Mexico, will be induced to use the ECUs according to our regulations, with our central banks. The ECU, this unified European currency, will be in the near future among the assets of the National Bank of Mexico.

*Q: It won't be a circulating currency?*

*Giscard:* Listen, if I had some I would give it to you. But unfortunately, you would have to be a central bank and I would have to be a central bank.... It won't be a circulating currency....

*Q: Aside from oil, what does Mexico have to offer France in economic matters?*

*Giscard:* In the economies that are diversifying, as is the case with all the developing economies, there are many areas for purchases and sales or exchanges.... We're making purchases of the traditional raw materials....

Also, I'm thinking about cooperation in the field of advanced technology.... I approve of the position Mexico has assumed: to be the national master of its economy, not to have an economy directed or dominated by foreign influences, which are excessive at present.... We have developed vanguard economies and technologies in a common field that can be of common interest.... I'll give you several examples: nuclear energy. We are in the present period, along with the United States, the only country in the western world that can assure the complete nuclear energy cycle.... But nuclear energy is not only a source of energy, it is also a technology.