How Alexander Haig plans to undercut Euro-American entente

by Vivian Zoakos

A very nasty operation is under way, run in tight coordination between circles in Washington and Bonn, to "poison the well" of relations between West German Chancellor Helmut Schmidt and President Ronald Reagan from the outset. Channels of communication between both heads of state are being systematically clogged by the static of a broad disinformation campaign tailored to the profile of both leaders, and meant to ensure their inability to focus discussion on shared issues of great concern. In particular, the intent is to divert attention from those economic issues which are the overriding priority of Schmidt and Reagan.

The coordinating conduit for this campaign is the Socialist International, which explained the policy clearly at its "Eurosocialism and America" conference held in Washington Dec. 5-7. The primary institutions working with the Socialist International along these lines are the Haig State Department, the German Marshall Fund networks that run the Socialist International, and its Trojan Horse in the Reagan administration: the Heritage Foundation.

These circles fear that Schmidt, acting in behalf of Europe, might succeed in breaking the controlled environment they are attempting to create around President Reagan. If so, Schmidt would probably meet with Reagan's enthusiastic support for the Franco-German economic program: global economic development, including the rapid industrialization of the Third World through the use of the most advanced technologies.

This is in conscious opposition to the domestic and international economic policies of the State Secretary Alexander Haig, Heritage, et al., which find their expression in the Malthusian premises of the Brandt Commission report and in the credit blockade of Federal Reserve Chairman Paul Volcker.

The disinformation campaign around Schmidt focuses on his presumed lack of trustworthiness on defense matters, his "softness" on the Soviet question and hence his willingness to "Swedenize" Europe, turning it into a more or less neutral territory unwilling to back legitimate American defense concerns. This is the terminology used in Evans and Novak columns and by *New York Times* and *Washington Post* coverage. It has also been frequently alluded to by State Department spokesmen.

Defense was chosen as the central agitational issue because of President Reagan's urgent concern with this area of policy.

The chancellor's alleged weakness in these matters is ascribed by these circles to his growing difficulties with his left wing, that section of the German Social Democratic Party (SPD) most effectively identified with Socialist International chief Willy Brandt. As Hal Piper of the *Baltimore Sun* put in recently, Schmidt has become a Saint Sebastian pierced by arrows shot by the SPD left. Either he compromises with them, the line goes, or his government will face collapse in short order, triggered by his internal opposition.

Obligingly, the SPD's left wing began a "disarmament campaign."

Exemplary was the *Der Spiegel* interview released this week by SPD presidium member Erhard Eppler, Brandt's collaborator and Schmidt's opponent. Eppler declared that SPD members are in an uproar because it is "becoming increasingly obvious" that the "right-wing" Reagan administration "was never really interested in disarmament." Since it is "impossible" to influence Reagan in this sphere, the Schmidt government must either resist American pressure or face a disarmament initiative calling for a cut in the defense budget and a likely collapse of the government.

The *New York Times* and the other cited conduits have had a grand time using such expressions of left-wing SPD sentiment to document Schmidt's hamstrung condition. Heritage Foundation sources, including its director of European Operations, Geoffrey Gaynor, also see it as a trump card. Gaynor told an interviewer this week that if Schmidt gets "out of control" his Free Democratic coalition partners will collapse his government—using as their excuse the unruly left SPD.

In fact the capability of the Brandt left wing to destabilize Schmidt strictly depends on the extent to which Alexander Haig is able to block effective discussion and agreement between the chancellor and President Reagan on crucial matters, particularly economic policy and détente. It is not for nothing that the *New York Times* and *Washington Post* have been asserting of late that Schmidt's vulnerability rests with his increasing difficulty in realizing his foreign policy aims.

The second prong of the disinformation campaign, which in fact has been conducted through the simple technique of press blackouts, has to do with economic policy. The line of the "left" German Marshall Fund and the "right" Heritage Foundation converges here, too.

Heritage's Geoffrey Gaynor confidently explains that Schmidt's attacks on Volcker's interest-rate policy can have no impact on the United States because they will "never be covered in the American press. . . . Schmidt knows that." Guido Goldman, a member of the German Marshall Fund board of advisers, equally attempts to dismiss the chancellor's views of Volcker as "a cry of anguish and pain, nothing more."

The American press, meanwhile, blocks out the news that this supposed cry of anguish and pain was the central concern of last week's summit between Schmidt and his French ally, President Valéry Giscard d'Estaing.

The Socialist International threads

The links between the Socialist International and the Haig State Department, the German Marshall Fund, the Heritage Foundation, leading press, and similar conduits go beyond the obvious fact of a shared similarity of outlook and policy. The operational interpretation of these networks is massive and can be indicated in summary form.

The German Marshall Fund was founded by Willy Brandt during his tenure as chancellor, and functions as a conduit for Socialist International policy. Its networks into the current State Department are substantial. These State Department inroads function traditionally through Cyrus Vance appointees and Henry Kissinger former appointees who have returned to State through Haig appointments.

Vance, who at one time pressured the West Germans to increase defense expenditures, accept the stationing of medium-range missiles on European territory, and help militarize the Middle East, has more recently done a convenient about-face and is one of the founding members of the Socialist International's Palme Commission, recently established in Vienna to coordinate international disarmament. He now operates out of the Geman Marshall Fund's Arms Control Commission. The GMF cosponsored the Washington Socialist International conference that laid out the disinformation campaign currently in operation.

The motives for Europe's opposition to Paul Volcker

by David Goldman

European leaders have an immediate stake in breaking the Federal Reserve's interest-rate spiral: the present European recession is the direct result of the international market-spinoff effects of 20 percent U.S. interest rates. The French and West German export profile is heavily geared towards infrastructure- and plant-building goods produced for developing-sector markets. But the shrinkage of developing-sector markets in a regime where most of the developing world's $500 billion debt burden bears a 20 percent interest charge makes the European economies unviable. With lower interest rates, Europe's economies would be poised for the most startling recovery in the postwar period.

West German exports rose by 11 percent last year, slightly higher than the 6 percent inflation rate, but far below historical growth levels. In consequence the German trade surplus fell to about $4.8 billion, barely one-third of the 1979 trade surplus of $13 billion. During the summer months the trade balance swung momentarily into deficit, one of the few points in postwar history where the nation's model exporting economy did not register a substantial surplus. The trade deficit was exacerbated on the import side by the 1979 rise in oil prices, which accounted for most of the country's 17 percent rise in import costs last year.

The second-round interest-rate increase in the United States, which the Fed began in late August, caught West Germany in a vicious spiral. The rise in international financing costs dampened potential markets in the developing sector, which require long-term export financing. At the same time, the lowered trade surplus and the outflow of German capital seeking higher short-term returns in dollar interest rates—which have been between 8 and 10 percent higher than deutschemark interest rates—drained liquidity from the domestic banking system. The combination of a lower trade surplus and capital flight pushed West Germany into a 1980 balance of payments deficit of more than $14 billion.

The Fed's impact

Between midsummer and this writing, German interest rates have rates have risen from 6 to 10 percent