

West Germany

Chancellor Schmidt faces threat to continuation of war-avoidance policy

by Michael Liebig in Wiesbaden

Helmut Schmidt has now been Chancellor of the Federal Republic for more than seven years. In that time, he has assured himself an exceptional position in world politics. It was largely thanks to Schmidt that the world situation did not fly completely out of control under the Carter administration. That is true for international economic and financial policy, for the relationship between East and West, and for the battle against international terrorism.

Following Schmidt's re-election as Chancellor at the end of 1980, Schmidt was confronted with the threat that everything he had built up since the mid-1970s would collapse. The year 1981 became one of exhausting struggle to maintain a minimum of stability in the Federal Republic itself and in international relations.

Schmidt has survived the year physically and politically; in addition, despite the greatest difficulties, he launched new initiatives in a dangerous world situation. He has accomplished this with his characteristic "Kantian" sense of doing his duty. Schmidt is not an original creative statesman, but he is among the very few today who represent an approximation of a statesman; he is pragmatic, but his pragmatism is bounded by a peculiarly moral categorical imperative. The basic content of Schmidt's policy is a deeply felt commitment to war-avoidance and to restoring the cohesion of democratic industrial society. With all his tactical compromises and weaknesses, in these two respects Schmidt is absolutely reliable and consistent.

Missed chances

The year began with extraordinary opportunities. The Carter nightmare was gone, and Schmidt met with President-Elect Reagan before the latter took office. At the same time, the Franco-German entente stood at its high point, given the strengthened friendship between Schmidt and President Valéry Giscard d'Estaing. The potential for strategic understanding among Reagan, Giscard, and Schmidt was close enough to touch.

Three months later, the bucolic Socialist François Mitterrand had been elected President of France, and Reagan had barely escaped assassination. A weakened U.S. President left American economic and monetary

policy to the Federal Reserve Board under Paul Volcker, which accelerated the world economic collapse. By late summer, Schmidt had been isolated, and his physical condition deteriorated.

Parallel to Schmidt's international isolation, his domestic opponents were mobilized. This applies less to the parliamentary opposition, the Christian Democratic Union/Christian Social Union, under its embarrassingly statureless leader, Helmut Kohl, than to Schmidt's arch-enemies in his own Social Democratic Party (SPD) led by Socialist International Chairman Willy Brandt. Scarcely less dangerous to the Chancellor is the Free Democratic Party, his liberal coalition partner, which controls the Foreign, Interior, and Economics Ministries.

The feat of maintaining his capability to act politically under such domestic and international conditions is a significant achievement. Three initiatives are at the center of that achievement:

1) Schmidt's battle against monetarist high interest-rate policies and the policy of depression crisis-management in the manner of the German government under Heinrich Brüning in 1930-31; 2) Schmidt's persistent efforts to reactivate the East-West relationship, not only in the sphere of arms control, but encompassing a broad stabilization effort in the East-West and North-South spheres; 3) Schmidt's effort to secure a "special strategic consensus" among Reagan, West Germany, Spadolini's Italy, the Vatican, Suzuki's Japan, and Saudi Arabia.

The interest-rate battle

At the beginning of 1981, Schmidt had presumed that President Reagan would be able to force a reversal of Volcker's high interest-rate policy. This expectation proved wrong. Despite an increasingly evident drift of the U.S. economy into depression, with disastrous consequences for the world economy as a whole, Reagan has to date been incapable of making headway against Volcker. In the consultations between Schmidt and Giscard in early February 1981, both expressed the expectation that the United States would drop the high interest-rate policy; in numerous interviews, Schmidt explicitly demanded that this occur. At the end of

February, through government spokesman Lothar Rühl, the Chancellor stated that the policy of high interest rates was endangering the military capabilities of the Federal Republic, by destroying the economic resources which are indispensable for defense.

In early March, Schmidt sent his close financial adviser Horst Schulman and Finance Minister Hans Matthöfer to the United States to sound out responses to the idea of an "interest-rate disarmament conference." Once again, there followed a series of interviews in which Schmidt termed Volcker's policy "dangerous and unacceptable." Simultaneously, together with Giscard and the Saudis, Schmidt began to create credit facilities with lower interest rates to channel credit to the German and French economies, circumventing the German central bank and providing Saudi credits to the German economy through the government-owned Kreditanstalt für Wiederaufbau. The order of magnitude of this operation remained modest, and ended altogether with the election of Mitterrand.

During discussions between Reagan and Schmidt in May, interest rates were again at the top of the agenda. Schmidt was unable to shift the situation, and the economic summit meeting in Ottawa ended in a disaster that accelerated the world economy's slide toward depression.

In the autumn, Schmidt once again began to campaign publicly for lower interest rates. In the meantime, the short-term climb of the dollar's exchange rates as a result of high U.S. interest rates led to a dangerous weakness of the Deutschmark, since interest rates in the Federal Republic were significantly below those in the United States, although at the same time high enough to damage the German economy seriously.

In a series of spring and summer interviews, Schmidt stated that the monetarist policy of high interest rates as well as the Keynesian economic recipes were bankrupt and poisonous for the world economy; high interest rates, he said, would necessarily entail a depressive deflationary policy like that in Weimar Germany under Reichschancellor Brüning. It is well known that the emergency decrees of the Brüning government created the essential economic, social, and political prerequisites for Hitler's seizure of power in 1933.

At the upcoming consultations between Schmidt and Reagan on Jan. 5, the issue of high interest rates will again be given highest priority by the Chancellor.

Schmidt as East-West interlocutor

Much attention has been paid to the issue of East-West disarmament, especially to the opening of the Geneva negotiations on medium-range missiles, a development to which Schmidt contributed decisively. Since the spring of 1981, Schmidt has functioned as perhaps the most important channel of communication

between Reagan and Soviet President Brezhnev. Schmidt has had three meetings with Reagan, and Brezhnev visited Bonn this November; at each point, Schmidt worked on introducing a "stability consensus" between the United States and the U.S.S.R. Schmidt has also made extensive efforts to bring about a meeting between Reagan and Brezhnev.

The issue of stabilization of the Middle East plays a pre-eminent role in this attempt; at issue is an attempt to reach an understanding whose basis is approximately expressed in the so-called Fahd plan for the Middle East. That plan was intensively discussed during Brezhnev's Bonn visit, and Saudi Arabia as well as the Soviet Union had sought Schmidt's mediation on the subject. Schmidt's role also has to be seen as the actual reason for the slanderous remarks of Menachem Begin launched on numerous occasions in Schmidt's direction.

Economic relations have been another focus of the Chancellor's efforts in the East-West area, most spectacularly expressed in the German-Soviet natural gas pipeline deal signed in November. Schmidt's conviction is that economic and scientific-technological cooperation between East and West is a decisive basis for any "stability consensus." Trade with Eastern Europe is a significant factor, in terms of capital-goods exports as well as imports of raw materials. At the same time, economic cooperation with the East bloc is an essential factor in order to influence long-term structural changes in the East in a positive fashion. The role of economic cooperation with the West in the so-called succession battle in the Soviet Union can hardly be overestimated; this is also the context in which to see the long-term economic cooperation negotiated between the Federal Republic and the German Democratic Republic, an agreement which was one of the results of the summit meeting between Schmidt and East Germany's Erich Honecker.

That meeting, overshadowed by events in Poland, was of extraordinary significance. Schmidt and Honecker declared that the firm and common basis of policy for both German states was the resolve, first, that never again would war initiate from German territory, and second, that Germany must never again be destroyed in war. As self-evident as this may sound, it is of particular importance in understanding the moral substance of Schmidt's policy. Schmidt draws on his memories of World War II. The determination to avert war, and the comprehension of economic and political collapse as the fundamental driving causalities of war, are the basis of the Chancellor's policy: *The causal connection between depression, fascism, and war is for Schmidt a personally experienced reality.*

As noted, Schmidt was by and large isolated in the early summer of this year. Giscard's defeat destroyed the strategic configuration which had basically deter-



Helmut Schmidt

mined European politics since the mid-1970s. The German-French entente was replaced by an Anglo-French alliance, in turn closely connected to the Haig wing of the Reagan administration and the Begin-Sharon-Shamir group in Israel. This strategic combination also enjoys the warm sympathies of the opponents of the Brezhnev group in the Soviet Union.

To counter this, Schmidt attempted to develop his relationship to Reagan, based on the sympathy each has for the other as an individual, despite difficulties on the interest-rate question and the Haig problem in security and foreign policy. At the same time, German-Japanese cooperation improved substantially as a result of the visit by Japanese Prime Minister Suzuki to Bonn in June 1981, a new depth in relations which became particularly evident in agreement on opposition to high interest rates as well as issues of East-West policy. Schmidt also developed a "special relationship" with Italian Prime Minister Spadolini, which was further consolidated in the second half of 1981.

Highly significant is the close collaboration between Schmidt and the Vatican, due not simply to the crucial role West Germany and the Catholic Church play in East-West relations. Schmidt has publicly supported the conceptual-strategic initiative of Pope John Paul II as expressed in the encyclical *Laborem Exercens*. This is all the more important because Schmidt's attitude toward "population control" in the Third World had become dangerously ambiguous at points in the past.

It should be remarked in this context that it is no accident that Willy Brandt is the leader of the neo-Malthusian Third World Commission named after him, as well as Schmidt's most dangerous opponent on the domestic political scene. Even the most naive observer cannot have failed to note that Brandt has taken every conceivable opportunity in 1981 to weaken Schmidt and doublecross him on policy matters to achieve the ultimate goal of overthrowing the man who in 1974 succeeded him as Chancellor.

Schmidt's deadly enemy: Brandt

Brandt's modus operandi is the step-by-step dissolution and alienation of the Social Democratic Party (SPD) from Schmidt and his policies. Brandt has promoted and encouraged the "green" Malthusian wing in the SPD, in order to either transform the party under a majority of Malthusians, or to split the SPD and make a new "green" fascist movement out of the fragments of the SPD, the "ecology," "peace" and neo-Nazi anarchist movement.

Brandt's years-long policy of "opening the party" has in practice meant forcing the entry of the anti-technology irrationalist elements into the SPD, against the bitter resistance of Schmidt and the party's trade-union and skilled-worker base. Brandt's operation enjoyed the toleration of the chief apparatchik of the SPD, Herbert Wehner. Although Wehner refrains from any public attacks whatever on Schmidt, and gives the impression of standing somewhere between Brandt and Schmidt, the Jesuit-controlled "general" of the SPD is in fact hostile to the Chancellor. Meanwhile, Brandt has collected an ideologically fanatical neo-Malthusian leadership around himself, consisting of the chief ideologue and agitator of the ecologists, Erhard Eppler; the leader of the SPD in Lower Saxony, Peter von Oertzen; former Mayor Ulrich Klose of Hamburg, Oskar La Fontaine in the Saarland; Volcker Hauff in Baden-Württemberg; Party Secretary Peter Glotz; and the leadership of the SPD youth organization, the Jusos. Brandt has also gathered the support of numerous SPD parliamentary deputies, especially Manfred Coppik, Klaus Thüsing, and Karl-Heinz Hansen. The pro-Schmidt faction of the SPD was able to throw Hansen out of the party only after the greatest resistance from Brandt, although Hansen had denounced Schmidt's policies as "piggishness."

This subversive process of erosion has led to dramatic losses for the SPD in state and municipal elections. West Berlin is symptomatic: in May, the SPD lost the government after being in power for 18 years. The traditional SPD electorate, especially among skilled workers, feels increasingly betrayed by Brandt's "greening" of the SPD. Even though the majority of the population supports Schmidt, this support is transferred

to the party in ever-diminished degrees. If Schmidt were up for direct election as Chancellor, he would easily get 60 to 70 percent of the vote. But less than 30 to 35 percent would now vote for the SPD.

The SPD in 1982

The September 1982 elections in the state of Hesse will be decisive. Hesse's governor, Holger Börner, one of Schmidt's closest allies in the SPD, has been the target of concerted attacks from the environmentalist fascists inside and outside the party; and Börner, whose state has been the scene of widespread violence on the part of "greenie" extremists, has denounced the radicals for their "Nazi" tactics and ideology. Their twisting of legal terminology reminds one of "Nazi jargon," he said in an interview with the daily *Frankfurter Allgemeine Zeitung* Nov. 13. The Greens are attempting to destroy democratic institutions, just as Nazi Josef Goebbels did in Weimar Germany, Börner warned.

Should Börner lose the election, the opposition majority in the upper house of the West German parliament (which is elected directly by the state governments) would be in a position to block every piece of legislation by Schmidt's SPD-FDP government, despite the SPD-FDP majority in the lower house, the *Bundestag*.

There is one conclusion to be drawn from the intraparty warfare against Schmidt in 1981. Schmidt's political survival will only be assured if he takes the offensive against his opposition in his own party, the Brandt faction. The SPD is historically the product of industrial society, associated with economic and social progress, by tradition the party of industrial workers. Under the difficult conditions of probably a 2 million unemployment level by the spring of 1982, if Schmidt and his faction do not succeed in reasserting this self-conception of the party, Schmidt's political survival is doubtful.

Schmidt will have to denounce the "green" movement in his own party for what it is—a fascist movement—and clearly state that the major causes of severe economic problems and unemployment in the Federal Republic are Paul Volcker on the one hand, and Eppler, Hauff, and the "Greens" blocking no less than 100 billion deutschmarks in high-technology projects such as nuclear power plants, industrial plants, railways, and roads.

Labor-industrial alliance

Schmidt can count on the support of most of the unions for this offensive. Only a small, but admittedly very dangerous, minority in the trade unions is on Brandt's side. Especially dangerous is the public employees' union, the ÖTV, which is currently in confrontation with the government. Most unions are ready to

conclude a labor-industry alliance to obtain new investments and new skilled jobs. These unions reject a "Brüning" deflation as well as a Keynesian make-work program. Although largely unnoticed, in the course of November and December Schmidt conducted a number of consultations between government, unions, and industry and was able to significantly consolidate already established willingness to collaborate by all parties. Potentially, Schmidt is in a strong domestic position, not only because of his personal popularity, but because of his ability to function as the guarantor of social peace and stability in an economically extremely precarious situation. Even in industrial circles which are either negative or downright hostile toward the Schmidt government because of Brandt's unhealthy influence within the SPD, people understand that no one better than Schmidt is immediately available to head a government that can save the Federal Republic from self-destructive social chaos.

The political landscape has at the same time been revived by the small but aggressive and growing European Labor Party (Europäische Arbeiterpartei—EAP), chaired by Helga Zepp-LaRouche, through its campaigns on behalf of nuclear energy development, restoration of Germany's classical scientific educational standards, and urgent action by all constitutional forces to eliminate the "green" environmentalist neo-fascists (see article page 9).

Minuscule opposition

The alternatives offered by the opposition Christian Democrats are rather impoverished. Strauss, after his smashing defeat in the fall of 1980, is hardly salable, despite intensive efforts. The narrow-mindedness and provincialism of Helmut Kohl horrifies the industrial circles who support the CDU-CSU opposition, as well as many CDU members. The only serious challenge to Schmidt is the pro-growth Christian Democratic Governor of Schleswig-Holstein, Gerhard Stoltenberg, and the "conservative Kennedy" of the Christian Democrats, Walter Leisler-Kiep. Stoltenberg himself has repeatedly pointed out that the Christian Democrats ought not to cherish illusions about taking over the government before 1984; at that point, however, he himself would be available as a Chancellery candidate.

The domestic political situation in the Federal Republic, especially the exhausting warfare against the greens and Brandt in his own party, has cost Schmidt more strength in 1981 than his international political activities. How this "war of attrition" is working was indicated by the October 1981 heart problems of the Chancellor. And in addition to his physical ailments, Schmidt is still one of the world leaders high on the "hit list" of terrorists. Schmidt has remarked that 1981 was hard, but 1982 will be harder.