

The Mitterrand challenge to the Western alliance

by Nancy Spannaus, Contributing Editor

The removal of French President Valéry Giscard d'Estaing from office May 10 represents the most serious threat to world peace in the last two decades.

This fact has not yet been fully appreciated in the world's capitals. In the East, officialdom is trying to convince itself it is pleased with the Mitterrand "victory for socialism." In many Western countries, recognition of the loss has generated cries for intensified military buildup.

Perhaps only in London does the government understand what Giscard's defeat has accomplished. Her Majesty's government has a totally clear perception that the alliance between Giscard and West German Chancellor Helmut Schmidt represented a new conception of the Western alliance founded after the death of Franklin Delano Roosevelt. Based on the idea of not only maintaining domestic economic strength, but also exporting that strength to developing nations, the Franco-German alliance threatened to overthrow the geopolitical conception of British-dominated NATO, and break its dominance in the United States.

As long as the Franco-German "superpower for peace" was active, the British faced a strong institutional obstacle to their traditional manipulation of monetary and strategic affairs. But the destabilization of this alliance, built over nearly a decade, changes the entire frame of reference for international political maneuvering.

The British model of "Western alliance" is best expressed in that creature of NATO called the Club of Rome, an organization committed to reducing the world's population by several billion through crisis-management methods, now imposing its policies through Paul Volcker's usurious interest rates. This means a permanent destabilization that can only lead to conflict with the Soviet Union, most likely through its fostering of genocidal "hot spots" in the developing nations.

If this outlook is not to regain hegemony, as it did in the periods leading into World War I and World War II, Schmidt must form an alliance with President Reagan, based on commitment to economic growth. That means dumping Paul Volcker, first of all. "High interest rates will at best slow down



Pierre Vauthey/Sygnma

The inauguration: Mitterrand at center, holding the Socialist International symbol, a rose; third from left, Socialist International chairman Willy Brandt.

economic recovery, at worst lead to a world economic depression," Schmidt told the Bundestag June 3.

The institutional accomplishment of the Giscard-Schmidt alliance was the European Monetary System (EMS), announced in July 1978. While the system's minimum goal was to maintain currency stability, the motivation made it de facto the seed-crystal of an alternative to the International Monetary Fund. French and German leaders declared at the outset that monetary stability and economic growth were the sine qua non of world peace.

The EMS has been widely portrayed as a technical mechanism for a European currency bloc. In fact, its original conception includes expansion into a Phase II European Monetary Fund that would provide low-interest, long-term credits to the developing sector.

The EMS was born after two landmark political meetings—one between Schmidt and Saudi leaders, the other between Schmidt and Soviet leaders. The second meeting has recently been described by *EIR* founder Lyndon LaRouche

peace during the last decade," because the 25-year economic agreement signed was based not only on a perspective of cooperation, but one of cooperating in advanced technologies' transfer to developing nations.

Giscard and Schmidt in turn made steady progress in winning the Saudi Arabians to full commitment to such a perspective. The \$64 billion Saudi loan to France and Germany consummated in April 1981, and originally denominated in the EMS's ECU unit of account, underlined the fact that this progress depended on joint com-

mitments to the Arab world's development.

Much has been made in certain press of the fact that Mitterrand committed himself to maintaining the EMS during his May 24 meeting with Schmidt. But under Mitterrand's redistributionist, social-democratic philosophy, and his oligarchic sponsors, the EMS is no longer a stepping-stone to a new monetary system. As a technical mechanism, it will either disappear under the buffeting of interest-rate warrior Paul Volcker, or it will be transformed into an autarchical instrument for a European currency bloc. There is no other way to view Britain's renewed interest in joining the EMS she has so resolutely opposed for three years.

The only way the EMS could be maintained as the seed-crystal of a new monetary system would be if Schmidt convinced Reagan to adopt the EMS approach to stabilizing and strengthening the dollar. Paul Volcker has argued, victoriously so far, that the U.S. can support its currency only by carrying out brutal warfare against the Europeans, especially against Germany. If Volcker were to be rejected by Reagan, Reagan would be free to join Schmidt in adopting a monetary policy consistent with exporting long-term, low-interest credits to the developing sector—the only way in which the dollar could be made strong in the long run.

The EMS perspective was the primary basis for useful dialogue between the West and the Brezhnev-led U.S.S.R. This was abundantly evident not only in the 25-year deal between Schmidt and Brezhnev, but in the multilevel East-West deals on energy supplies and related tracks initiated by both the French and the Germans

over the past three years. It was also expressed in the EMS nations' defiance of Carter's ban on technology exports to the developing sector. Giscard was notorious in this regard, defying Kissinger and NATO to send nuclear technology to Iraq, India, and Mexico.

Yet the pull of ideological left-right conflict is very strong. Giscard understood that Western strength vis-à-vis the Soviets depended first and foremost on technological growth. From the vantage point of possessing one of the most advanced nuclear programs in the West, it was easy to justify discussions, including disarmament programs with the Soviets, and bargain toughly but not provocatively on issues like Afghanistan.

But if Schmidt is forced to abandon the economic growth perspective toward the Third World and the Soviets, his relations with the East will rapidly deteriorate. Already the Volcker measures are feeding the Willy Brandt/Socialist International push for unilateral dismantling of both armaments and high-technology industry. The left wing is a significant challenge precisely because the British-dominated NATO and the central bankers are denying Schmidt the basis for healthy economic growth, including that of the military.

The instability in Europe has given a free rein to the zero-growth Malthusians within the Soviet camp, who are now attacking Schmidt in favor of peacenik Willy Brandt and the left. The danger of Schmidt either being ousted, or forced into opposing Reagan and breaking with NATO, is growing daily.

We review below the state of instability in three major European nations—Germany, Italy, and France. Important setbacks have been delivered to Britain's allies in Italy and Germany, but the overall thrust toward economic chaos and East-West confrontation cannot be abated by such tactical victories.

The thinking of the British-allied oligarchs who are creating this instability was directly expressed to National Democratic Policy Committee Chairman Warren Hamerman when he was in Europe two weeks before Giscard's defeat:

"Unfortunately, our populations do not understand the depth of the world economic crisis. They are unprepared for the sacrifices necessary for the long-term good. Therefore, we have decided to bring the Socialist International to power for some months or a year. They will aggravate the crisis even further. Then, we can blame them for causing the breakdown, by which time the population will be ready to voluntarily accept the necessary drastic solutions."

That was the gist of their message as they cautioned him not to be surprised by a Mitterrand victory.

If Reagan does not move to dump Volcker and Britain's other allies in destabilization, then no one should be surprised if we lose not only the Western alliance, but any civilization worthy of the name.

Schmidt moves to rescue economy

by Susan Welsh

West German Chancellor Helmut Schmidt threw a West Berlin meeting of the North-South Commission into consternation May 31 when he declared that the interest-rate policy of the U.S. Federal Reserve is the main source of the economic crisis of the deeply indebted Third World.

The Brandt Commission had invited Schmidt to attend its meeting in hopes of recruiting the chancellor to its strategy of population control and "appropriate technologies" for the Third World. The World Bank, which controls the commission, expects to induce Schmidt to argue this perspective at the Ottawa summit of Western industrial nations in July.

Schmidt's blunt emphasis on the strangulation U.S. interest rates have inflicted on world trade and production outraged the commissioners, who felt they were being lectured to like lowly members of Schmidt's Social Democratic Party at a regional party conference, according to the Munich daily *Süddeutsche Zeitung* June 1. Socialist International chief Brandt was particularly enraged, exclaiming that he doubts if his commission's report was ever read by anyone at the chancellery. "In this country most people did not understand a thing about this," he said. "German politics is backward and the intelligentsia even more so, politically as well as economically."

Schmidt had placed the issue of U.S. interest rates at the center of his discussions with President Ronald Reagan in Washington on May 20-23, and indicated to the press that he is hopeful that Reagan will take some concrete steps to lower rates before the Ottawa summit.

The German budget debate

When the West German parliament, the Bundestag, began its debate on the 1982 federal budget June 2, Schmidt insisted that no final decisions can be made until after the Ottawa summit, since the Bonn government cannot make its own financial plans until the