

Economic dangers worst, Schmidt warns Reagan

by Nora Hamerman, Editor, and Graham Lowry, U.S. Editor

West German Chancellor Helmut Schmidt won a tactical victory for the principle of reality over the fantasy-ridden U.S. media and State Department during his visit to Washington Jan. 5 and 6, when he emphasized that the root of the deepening international crisis is not the events of Poland, but the threatened depression of the world economy.

Combined with the public commitment of the Reagan administration *not* to invoke a grain embargo against the Soviets—precisely the measure that Secretary of State Alexander Haig had been vehemently urging as a tough-guy response to the Polish clampdown—the Schmidt visit with President Reagan potentially opens the way for a shift in U.S. foreign policy into the realm of joint efforts with America's allies to stabilize the international situation. In this context, recent shakeups, including the appointment of William Clark as national security adviser in the White House, might provide President Reagan with a buffer against efforts to determine foreign policy by Haig, Henry Kissinger, and their media allies.

Schmidt faced a barrage of hostile U.S. press coverage which first tried to paint him as about to break out of the Western alliance (the *New York Daily News* Jan. 5 called him “a pillar of jelly” toward the Soviets, and the Jan. 5 *New York Post* railed against “a new Rapallo,” for example). During his Jan. 5 appearance with Mr. Reagan, as the Chancellor referred to “the sad events in Poland,” the press corps burst into derisive laughter. Later, the press shifted to an equally absurd effort to

portray the West German leader as having made substantial concessions to the confrontationist line of the Haig State Department. But most signs in the immediate aftermath of his visit point to Schmidt's success in using his pivotal position as a Western European ally of the United States to play a mediating role between Washington and Moscow. Secretary of State Alexander Haig, in a public demonstration of “eating crow” that flabbergasted many seasoned Washington observers, was forced to admit that his own State Department together with the media had been the institutional center of a campaign to discredit and undermine the Chancellor.

And two days after Schmidt's talks with President Reagan, Haig announced through a page one *New York Times* article that the President was actively considering a meeting with Soviet President Brezhnev. Chancellor Schmidt, who met with Brezhnev six weeks earlier in Bonn, “urged Mr. Reagan during their meeting on Tuesday to see Mr. Brezhnev,” according to the *New York Times* report.

Schmidt's trip to Washington, which included meetings on Capitol Hill as well as with the President and Cabinet members, had been scheduled *before* martial law was declared in Poland last Dec. 13, precipitating that Eastern European country into the headlines. In Washington, Schmidt reiterated the West German refusal to join the United States in imposing sanctions against the Soviet Union for the Polish crisis, a refusal that had been made the previous week to Undersecretary of State Lawrence Eagleburger in Bonn.

Schmidt's refusal to accede to suicidal economic sanctions against the Soviet Union was linked to a perception of the economic roots of the crisis of Western foreign policy which he underlined during the Washington visit. He demanded and personally inserted into the joint communiqué with Mr. Reagan a clause stating that "the Chancellor referred to the danger of a worldwide depression and ensuing far-reaching political hazards that may arise if the industrial countries fail to agree on a common strategy to combat unemployment." Schmidt also "emphasized the strategic significance of social and economic stability in the industrial countries of the West as an important element in the maintenance of a stable East-West balance."

The agreement between Schmidt and Reagan was substantial enough to force Secretary of State Haig to chastise the press and his own State Department officials for their high-handed treatment of the West German leader. Speaking to the press Jan. 6—only a day after his second-in-command at State, William Clark, a long-time confidant of President Reagan, had been upgraded to National Security Adviser—Haig had to admit that "as was sharply pointed out to us, some of the differences" between Reagan and Schmidt "speculated upon by the press did not exist at all."

Haig reported Schmidt's complaints that his statements on the Soviets and Poland had been distorted or blacked out by the press, and described them as having fallen into a "deafening cloud in the American and Western press." Forced to make a public apology, Haig said that "just criticism" should be accepted, "not only by the media, but in the State Department as well," where officials speaking to the press were often "over-eager."

While describing Schmidt's position on Poland as "robust," Haig also acknowledged that "he would not expect a unified action" regarding any sanctions—even though Haig's subordinate Eagleburger had just been in Bonn the previous week demanding precisely such "unified action."

Message to the Senate

Schmidt took his message on the economic crisis to Capitol Hill Jan. 5, where staffers for the Senate Foreign Relations Committee report that he denounced U.S. economic policy as a strategic threat to world stability.

Schmidt was particularly critical, as he has been frequently in the past, of the U.S. high interest rate policy, the bludgeon wielded by Federal Reserve Chairman Paul Volcker against the domestic U.S. economy with devastating effects internationally. While stating that the United States was not solely to blame, Schmidt denounced high interest rates as threatening to cause a catastrophe far worse than anything occurring in Poland. He also declared that offering economic aid to

Poland was a better policy course than imposing sanctions.

Schmidt's maneuvering room was enhanced by the fact that President Reagan has so far ruled out the only economic sanction of serious consequence to the U.S.S.R.—the reimposition of a grain embargo.

Their joint communiqué (see below) described an exchange of views on economic sanctions and came up with a formulation identical to the one adopted at the European Community's foreign ministers meeting Jan. 4, over the sputtering objections of the British. It gives broad latitude to Chancellor Schmidt to determine how to "avoid any step which could undermine [the] respective actions" of members of the alliance with regard to the Soviet Union.

Both Chancellor Schmidt and President Reagan then made personal statements to the press. Schmidt's remarks underscored his concern for world peace and for preventing a new depression. President Reagan stressed the importance of continuing the Geneva negotiations with the Soviets on arms control, despite Reagan's charge—concurrent with Schmidt—that the Soviets bear responsibility for events in Poland. Schmidt also stressed "what the President has said about overriding importance of the Geneva talks on arms control."

"I will not hide from you the fact that we are worried about the high rate of interest all over the globe, in the middle of a deep recession," Schmidt declared, "and both of us feel that joint effort is necessary to jointly get out of that recession in order not to plunge into a worldwide depression."

Where's Kissinger now?

Disarmed on the flank of trying to prove that Schmidt was about to break with NATO and fly into the arms of Moscow, the Haig-Kissinger crowd and their press allies have now been trying to manufacture the claim that Schmidt had significantly hardened his position against Moscow as a result of his meetings in Washington.

The object of such claims would be to weaken Schmidt on his domestic German flank, where the genuine preoccupation of the citizenry over the danger of nuclear war has been wielded by a spurious "peace" movement to attempt to overthrow Schmidt as Chancellor, arguing that he has become a puppet of the Anglo-American confrontationists.

Even though Schmidt made it clear that he has always said "it was obvious the Soviet Union played a role in the Polish events," another "background" briefing was hastily assembled after the two government heads made their statements, to characterize Schmidt's acknowledgement of the Soviet role as a shift toward a tougher line. A senior national security official who formerly served under Zbigniew Brzezinski told report-

ers that "we discern a much greater degree of explicitness" in Schmidt's acknowledgement of Soviet complicity.

By Jan. 7 the press had developed yet another wrinkle on its efforts to discredit Schmidt: according to the *Baltimore Sun* and *Washington Post*, the Schmidt-Reagan meetings were extremely "tense" and the West German Chancellor was forced to change his position due to U.S. recalcitrance. In a deft manipulation of editorial scissors, the *Wall Street Journal* managed to report on Alexander Haig's press conference without mentioning any attacks on the American press!

All of this comes amid new indications that the Kissinger-loving media could be in for a disappointment over the direction of Reagan administration foreign policy. Henry Kissinger and company (including Alexander Haig, Kissinger's policy ally and former protégé) have been pushing for a major shakeup to accompany the unseating of Richard Allen as National Security Adviser, in order to increase the power of Haig. They have particularly sought the removal of presidential counselor and Reagan loyalist Edwin Meese III from any role in foreign policy.

William Clark, appointed Jan. 4 to replace Allen, comes to his new position from his present job as number two man at State under Haig, after the White House decided in favor of upgrading the national security post to bypass Meese, including direct briefing of the President at least once a day.

The Kissinger-Haig strategy will be to surround Clark, who has limited experience in national security or foreign affairs, with Haig-aligned advisers, such as Kissinger's Georgetown crony Amos Jordan, who is mooted to become Clark's top deputy.

Although Kissinger recommended the restructuring, his noisy celebration of it on national television Jan. 4 may have been premature.

It is not merely the fact that William Clark is a longtime personal friend of Ronald Reagan who recruited Ed Meese to the Reagan team back in the 1960s, or that he was persuaded by Meese to assume his post at State reportedly to place a check on Haig, after having turned down Reagan offers of cabinet positions and the CIA directorship. Clark is said by West German press sources to maintain close connections to the Vatican, and a close friend of Haig reports that Clark thinks "that Al Haig is this city's biggest fool."

The *Washington Post* on Jan. 8 announced that Meese would be gotten out of the way by elevating him to the position of attorney general. But again, the crowing may be premature. In an unusually strong reaction, President Reagan in person attacked the *Post* on the same day and flatly denied any such report of Meese's removal from the White House.

U.S. press takes aim at Chancellor Schmidt

The *Wall Street Journal* editorialized on Jan. 4:

Mr. Reagan should ask how on earth Mr. Schmidt has arrived at the Orwellian pretense . . . that the Soviets aren't largely to blame for what's taking place in Poland. He might inquire why . . . he has so deliberately and publicly sought to embarrass and undercut his most vital ally. . . . Chancellor Schmidt's performance of late has been truly appalling, even apart from undercutting missile deployments he himself asked for. First there was the November love-in with Leonid Brezhnev, in which Schmidt took it upon himself to vouch for the Russians' peaceful intentions and to act as "interpreter" between the two superpowers rather than as ally. Then there was the fruitless journey to East Germany to beg for better relations, during which the Polish crackdown began. . . . Mr. Schmidt's stance toward Moscow speaks of a demoralized leadership whose best vision of West Germany's future is as a Finlandized industrial vassal of a totalitarian empire.

Referring to the West German position that martial law was "an autonomous Polish decision," Jess Lukomski wrote on the front page of the Jan. 5 Journal of Commerce:

In adopting this convenient premise, which is blatantly at odds not only with Washington's point of view but also with the position of other European governments and the majority of editorials in the German press, Chancellor Schmidt is obviously trying to save his détente policy and to protect West Germany's commercial interests. This attitude has won Bonn much praise in Moscow and from the Polish military regime.

Times correspondent John Vinocur wrote on Jan. 5:

Mr. Schmidt talked about China. Mr. Schmidt talked about economics. Mr. Schmidt told someone that his walking stick reminded him of Frederick the Great of Prussia. And Mr. Schmidt talked about Leonid I. Brezhnev, a man he described as one deeply concerned about peace.

It was difficult to break in. The Chancellor held the stage. . . .

But the clear straight message about American dissatisfaction was there at another level. It was given to . . . men who report directly to Mr. Schmidt.

"American public opinion could not fathom," they

were told, "how for weeks the Italian Communist Party had adopted a more critical attitude toward the situation in Poland than the Government of the Federal Republic of Germany."

The Washington Post greeted Schmidt with a similar message from syndicated columnist Joseph Kraft:

The alliance is at a turning point, and even NATO Firsters must now wonder whether it wouldn't be better for the United States and Europe to drift apart. . . . Far from nerving the British and French to a stronger stand against Soviet pressure, Chancellor Helmut Schmidt now leads the way to accommodation with the East.

From a New York Post piece by Joseph Sobran on Jan. 7:

When Helmut Schmidt denounced the Reagan administration's sanctions against Poland, I thought briefly that a dirty little secret was going to emerge. It didn't. It's left to me to expose it.

West Germany is up to its ears in Soviet-bloc trade, somewhere in the neighborhood of \$10 billion annually. Everyone knows that. What isn't so widely known is why. What can socialism offer capitalist West Germany when the Germans are so notoriously efficient, and socialism is so notoriously not?

Labor. Technologically, the Communist bloc is primitive. Its trade advantages occur in labor-intensive industries, where tyranny's superiority is absolute. . . .

In such circumstances, the socialist and the capitalist have a shared interest in avoiding calling the thing by its right name. They speak of "detente" and "international cooperation" rather than the ugly reality of massive involuntary servitude. . . .

It may be true that East and West are converging. If so that is no cause for ecumenical celebration. It means that the worst elements of both are discovering methods of colluding in oppression to produce what Hilaire Belloc called the Servile State: a bureaucratized, industrialized serfdom.

From a Jan. 8 Chicago Tribune editorial:

Do we really need these selfish venal allies? Must we expend more blood, more wealth, and lives for these Europeans? . . . The recent Brussels meeting of the European Community is a bitter pill to swallow when these people announced they would not support sanctions! These people have demonstrated callous incivility and acted like passersby who notice a woman being mugged on the street and do nothing. . . .

Americans are suckers. West Europeans have treated them like cowboys who don't understand the intricacies of European diplomacy and dealings with the Soviets. Well, these diplomats have caused two world wars, and the bodies of 500,000 American casualties now stand over the land of Europe. . . . Schmidt can only carp on interest rates, and ignore Poland. . . . The Poles are not the last to feel the Soviet boot; yet there is no danger from the West which justifies their Warsaw Pact concentrations. These Europeans want to live like eunuchs in the Soviet palace.

A Schmidt interview and communique excerpts

Excerpts from Chancellor Schmidt's interview with The New York Times, published on Jan. 3:

Historically, some almost 40 years ago the powers decided in a meeting in Yalta to practically divide Europe into spheres of influence. I think that many in the meantime have come to deplore this, but . . . never did anybody try to intervene by force. And I hope nobody will, because that would mean war.

We have tried to influence spiritually. We have tried to influence by economic exchanges, by scientific exchanges. We have tried to influence by human contacts, and by financial help as well. . . . [I]t is questionable whether one is doing oneself a favor in the long-run aspect if one voluntarily limits such possibilities of influence. . . .

I consider Jaruzelski, first of all, to act out of what he believes to be in the best interest of the Polish nation, in the first instance as a Pole. In the second instance, he appears as a military man. And only in the third instance, I think, he comes as a Communist. . . .

This [Poland] is a routine type of difficulty, and a routine type of controversy within the alliance. It has never played a really big role, and I hope will not play a big role in the future as well. . . . [W]e would find it very difficult to apply sanctions ourselves against Poland. . . .

I think that public opinion in Europe and in America as well as published opinion in the Northern Hemisphere as well as governments more or less have not understood the nature and implicit dangers of the economic situation.

You have a higher unemployment in the Western world today than at any time since the early years after

the war. If that situation should last it will make for vast disarray, dissatisfaction, unrest, especially among the young if they cannot find jobs and opportunities.

At the same time we have a higher amount of inflation than is sensible; we have a much higher rate of interest than what should be permitted in the present situation of investment and fixed capital. The present rate of interest in the Western world is ridiculous. So one has to bring down the interest rates. . . . If there is a specific American responsibility, it derives from the fact that . . . where America goes, there goes the rest of the Western economy. I would not say that one has to choose between Poland or the Middle East or the economy as the first priority. But one has to act in the one field in order to act in the other. . . . As regards myself, this, I guess, is my 45th or 50th trip to the United States in my lifetime, and almost all your cities. . . . I have many relatives here and many friends here. I cannot think of a future of my country without a close friendship with the American nation.

Excerpts from the text of the joint statement by Ronald Reagan and Helmut Schmidt on Jan. 5:

. . . The President and the Chancellor call again on the Polish authorities to end the state of martial law, to release those arrested and to restore the dialogue with the Church and Solidarity. . . . The President and the Chancellor reiterated their position that any military intervention in Poland would have the gravest consequences for international relations. . . .

The President explained the economic measures taken by the United States with regard to the Soviet Union. The Chancellor informed the President that the Federal Republic, together with its partners in the European Community, will undertake close and positive consultations in this regard with the United States and with other Western states in order to define what decisions will best serve their common objectives and avoid any step which could undermine their respective actions. . . . The President and the Chancellor expressed their hope that the course of developments in Poland would permit their countries to review these decisions [to withhold official economic aid to Poland.]

The President and the Chancellor also stressed the great importance of current economic issues. In this context, the Chancellor referred to the danger of a worldwide depression and ensuing far-reaching political hazards that may arise if the industrial countries fail to agree on a common strategy to combat unemployment. The Chancellor emphasized in particular the strategic significance of social and economic stability in the industrial countries of the West as an important element in the maintenance of a stable East-West balance. . . .

Italy

Drug overlords tied to the Dozier case?

by Nora Hamerman

Information that has recently surfaced in the Italian press implicates Dope, Inc. in the Red Brigades kidnapping of NATO General Dozier and other terrorist actions in Verona, the headquarters of the NATO Command Land South. The city of Verona also happens to have the highest per capita rate of heroin addiction in Italy, and is situated at the crossroads of illegal drug traffic from the Middle East via Yugoslavia and Bulgaria and northward into Germany.

A top Mafia boss arrested in northern Italy in December has been revealed to be a kingpin in the collaboration between the Red Brigades, organized crime, and unsavory international networks involved in the U.S. "Billygate" scandal. Italian investigator Umberto Pascali, in a forthcoming *War on Drugs* magazine article, shows that Italian terrorism of both the left variety—the Red Brigades that kidnapped Dozier—and the right variety are run by the same forces that run the dope underworld. These trails lead back to the conspiratorial nexus exposed last May in the scandal concerning the Propaganda-2 Freemasonic Lodge, which was plotting to overthrow the Italian republican government and restore the deposed Savoy monarchy.

The P-2 "lodge" controls a vast financial network with tentacles throughout the Western hemisphere, through which the family funds of the old Venetian-centered oligarchy are preserved and deployed.

Further P-2 links

On Dec. 20 the Milan newspaper *Il Giornale* reported on the background of the recent arrest in Turin of Mafia boss Gaetano Fidanzati. Fidanzati was considered the successor of the notorious Gerlando Alberti, the kingpin of the "Sicilian Connection" arrested in the summer of 1981 after Italian tax police had raided a gigantic heroin refinery under his control. Alberti's U.S. contacts included some of the biggest heroin traffickers arrested in the past two years, and they in turn were connected to the powerful P-2 lodge through banker Michele Sindona, who is now serving a jail sentence in New York.