

International Intelligence

Mitterrand, Spadolini try to undercut Schmidt

French President François Mitterrand states in the latest issue of the German magazine *Stern* that the U.S.S.R. "upset" the balance of power by deploying SS-20 missiles and therefore before any arms talks take place, there should be "rearmament to restore the balance of power." At the same time, Italian Prime Minister Spadolini pledged his new government's support for the deployment of Euromissiles in Western Europe. Speaking to the Italian Senate, Spadolini added that the Soviet proposal for a moratorium on missile deployment is "unacceptable."

The French and Italian declarations are meant to corner Chancellor Helmut Schmidt between a Reagan administration stalling on negotiations, and a Willy Brandt-led domestic opposition to any deployment of the missiles. By opposing the arms negotiations Schmidt has called for, Mitterrand and Spadolini hope to help Brandt replace Schmidt.

A gameplan for the division of Europe

Highly placed French sources report that the international "postindustrial" faction of policymakers intends to divide Europe between an Anglo-German alliance in the north and a Franco-Italian alliance in the south. Italy, according to this plan, would be ruled by Socialist Bettino Craxi, and rumor has it that two Christian Democratic leaders, Senate President Amintore Fanfani and former Prime Minister Mariano Rumor, are working to push the new Spadolini government aside to make way for Craxi.

The prerequisite for a close alliance between Bonn and London would be the resignation of West German Chancellor Helmut Schmidt. A recent interview with Schmidt in the liberal *Frankfurter Rundschau* indicates the potential for Schmidt's resignation. Referring to the

1979 NATO resolution in which Germany agreed to station Euromissiles on its soil contingent on the start-up of arms limitations negotiations, Schmidt stated, "I have linked my future in government to this in a double way. I will resign if the first half of the resolution is given up. I cannot take responsibility for a government under those conditions. On the other hand, I also cannot take responsibility for a government if the second half is not fulfilled. You may ask if this is an impromptu statement. I have given this long thought. This decision is well-weighted and thought through. I cannot stay in power if either of the two will fail."

Meanwhile, the German-born director of the London School of Economics, Ralf Dahrendorf, has outlined a plan for West German political parties. Writing in the Bilderberg Society-linked weekly *Die Zeit*, he proposes to create a new "left"/"right" formation, consisting of a Thatcher/Chirac-style "free-enterprise" party and a left-oriented party like the new Dutch "D-66" group. Promoting alternative life-styles, deindustrialization, this "left" party could bring together the antilabor wings of the Free Democrats and Social Democrats, according to Dahrendorf, while the new "right party," whose ideal leader he identifies as Franz-Josef Strauss, could split the Christian Democrats and ally with the right wing of the Free Democrats.

Crisis building in West German finance

The chairman of West Germany's fourth largest bank, the Westdeutsche Landesbank, resigned July 9 because of the Ruhr-based bank's difficulties. Commerzbank, the second largest, had already halted dividend payments to shareholders. On July 8, another leading institution reported it has liquidated substantial gold holdings in an emergency move to cover nonperforming loans. The banks, which depend heavily on large corporate deposits, will also be hit by the rapid fall in German export orders.

U.S. financial circles, headed by Federal Reserve Chairman Volcker and Ambassador to Bonn Arthur Burns, are aggravating the potential for a panic by spreading the line that the problem is German banks' willingness to finance German government debt long term and at marginally lower rates than U.S. paper. The Federal Reserve, which along with the Bank for International Settlements controls Bundesbank chief Karl-Otto Poehl, also says that if Bonn does not make large-scale budget cuts, German banks will be in "technical bankruptcy" within a year.

"Germany has just begun to learn the lessons of David Stockman," one New York source claimed.

French prime minister dismantles state

French Prime Minister Pierre Mauroy has announced the abolition of both the State Security Court and the prefecture system. The court had been established by de Gaulle in the early 1960s to defend the French Republic against the Organisation Armée Secrète (OAS) and other terrorist plotters, and in recent years had succeeded in convicting many terrorists.

The abolition of the prefecture system established by Napoleon, under which the equivalent of American governors are appointed by the national executive to oversee judicial and security matters, testifies to Mitterrand's commitment to decentralize, and disintegrate, the nation. The abolition of the system is to occur, however, only after Mitterrand's own new appointees as prefects have used their extensive powers to purge police forces and related institutions.

Mauroy also announced that a dozen large banks and large industrial concerns will soon be nationalized, especially aerospace firms and high-technology chemical, communications, and electronic companies. While some of these corporations, including Matra and Dassault, have supported the Socialist Party's "technetronic" postindustrial pro-

grams, the nationalizations will hasten rationalization of industry, and has already contributed to currency and stock-market panic, so Mitterrand can justify "crisis management" measures and tighten his control of national disintegration.

'Development to avert riots,' says Börner

Holger Börner, Social Democratic governor of the West German state of Hesse and a close ally of Chancellor Helmut Schmidt, declared July 9 that if Bonn wants to avoid the kind of riots that have hit English cities, "We must do everything to create new jobs." In an interview with the *Westdeutsche Allgemeine Zeitung*, Börner stressed that the present policy of creating jobs in the public-service sector must be replaced by programs to educate skilled workers and engineers. West Germany has a shortage of skills, he said, and "short-sighted" emergency measures will not solve that crisis.

Börner also called for the crash development of nuclear energy to meet economic needs. If the Federal Republic cannot reduce mass unemployment, he said, it will soon face an upsurge in "fascist ideologies." Börner has previously termed the radical environmentalists a "fascist" danger to present institutions for their opposition to nuclear power.

Japan rebuffs Haig, Weinberger demands

Japan Defense Agency Chief Joji Omura gave a firm "no" to demands for a drastic Japanese defense buildup presented by Defense Secretary Caspar Weinberger during a 3-hour meeting in Washington June 29. Weinberger said that Japan's planned 7.5 percent increase in defense spending—much higher than other planned increases in Japan's austerity budget—was unsatisfactory. He demanded an 11-12 percent increase, ac-

ording to Japanese press reports.

Moreover, Weinberger declared that Japan's multiyear buildup plan designed in 1976 to last through 1987 did not sufficiently take into account the new "Soviet threat," and must be scrapped. Japanese defense officials estimate Weinberger's demands would require a defense budget in 1982 of \$24 billion, twice the planned budget, and require 24 percent annual increases thereafter.

Omura explained this was politically and economically impossible. In a separate meeting with Haig, Omura said that Weinberger's demands were so astounding that Tokyo presumed they were only the thinking of the Pentagon and not the administration. When Haig confirmed that he supported Weinberger's demands, the shocked Omura repeated the impossibility of fulfilling them.

NATO's links to P-2 lodge confirmed

Rear Admiral Vittorio Forgione, who was exposed as a member of the P-2 lodge when the original list was made public, has been arrested by the Italian military police after being suspended last month from his post as commander of the Center for the Military Application of Nuclear Energy. Top-secret documents on NATO that should never have been allowed to leave the center were found in Forgione's home.

According to the Venezuelan press, Italian investigators believe that the NATO-backed center fell under the control of P-2 through Forgione and also through its deputy director, a colonel, and three other officials responsible for "security," who are now under investigation because of their links to P-2 leader Licio Gelli. Top-secret NATO information may also have found its way to Argentina through these channels, according to the same sources. The center's ties to NATO were developed under the auspices of Alexander Haig, who has allegedly played a prominent role in promoting the P-2's coup plans.

Briefly

● VALENTIN FALIN, chief of information for the Soviet Central Committee, has cautioned in an interview with the West German weekly *Stern* that deployment of NATO's Pershing-2 "Euromissiles" in Europe next year would invite Soviet military counter-moves. The Pershings, able to reach Soviet territory in five minutes, qualitatively shift NATO's strategic capability, Falin stressed. Asked if the U.S.S.R. would place missiles in Cuba in response, Falin said, "There are [other] technical possibilities to bring medium-range missiles into the vicinity of the U.S."

● THE VATICAN'S attacks against the Propaganda 2 Masonic lodge in Italy are intended to target the Anglican church, according to Italian press sources. The sources note that the Vatican's renewed attacks on the Masonry are likely to result in a major scandal in the Anglican church because of the historically close ties between the Anglicans and the Freemasons. These attacks are expected to result in an increasing number of leaks concerning the Anglican church's involvement in the assassination attempt against the Pope. The London *Times* of July 2 predicts a major "storm" inside the Anglican church as a result of the Vatican's attacks.

● ENVER HOXHA, Albanian chief of state, will be increasingly challenged by those members of the regime most enthusiastic about fusing with the Albanian ethnics in the Yugoslav province of Kosovo.

● COLOMBIAN sources in the president's office complain that so far the Reagan administration has done no more to eradicate Colombia's drug production than the Carter administration did. As a result, the cocaine and marijuana lobby stands a good chance, they say, of legalizing marijuana when the Colombian Congress reopens on July 20.