

# Monetary decoupling to be set at Basel

by Laurent Murawiec

A secret meeting will take place on June 5 in Basel, Switzerland, at the headquarters of the Bank for International Settlements, which will bring together commercial bankers, senior BIS staff, and central bankers. The meeting will be a major step in a global policy aimed at replacing the dollar as the world's leading reserve and payment currency, decoupling Europe from the dollar, and establishing an East-West European monetary interface that will plug the economies of Western Europe into the Soviet world.

The subject of the Basel meeting is the ECU, the European Community's unit of account, created with the European Monetary System in 1978. Over the last three years, a sizeable international market has developed in ECU-denominated instruments, a *private* market which issues certificates of deposit, bonds, and other forms of debts. The ECU is a weighted basket of the European (EEC) currencies; it has no physical existence, is not issued by any national government's treasury department or central bank, but has gradually acquired a *de facto* existence in transactions. The ECU interbank market has reached the respectable size of about 10 billion (one ECU = \$0.82), and is growing fast. There are also ECU loan, bond, and savings markets, as well as ECU invoicing of trade within Western Europe and with the U.S.S.R. As a basket of currencies, the ECU has the advantage of greater stability, since the disorderly foreign exchange fluctuations between the component currencies tend to offset each other.

The ECU leads a double life, that of an accounting unit on the books of the EEC, where it is used as the monetary yardstick for the member-states' disbursements to and receipts from the Community, and that of a purely private instrument subject to no sovereign determination, one created virtually *ex nihilo* by the private banking system. A group of European commercial banks (Kredietbank of Belgium and its Luxembourg subsidiary; Credit Lyonnais of France; Societé Générale de Banque of Belgium; Lloyds Bank of London) has established a private clearing system which has vastly enhanced the marketability of the quasi-currency.

The next step will be taken on June 5. At the initiative of the European Commission, a working group was established by 18 banks (including the Istituto Bancario San Paolo of

Turin and Morgan Guaranty's Brussels subsidiary) in June 1982 to determine which measures should be taken to further develop the use of the ECU. The group will meet with BIS deputy general manager Alexandre Lamfalussy and his subordinates. Decisions are expected to result in the incorporation of an ECU clearing association, which will be an open-ended group. Both European banks, and non-European banks with subsidiaries in Europe active in ECU trading, will be able to join. Also expected are an agreement with the SWIFT electronic bank transfer system; the selection of the BIS as the central clearing bank; and the appointment of one bank per EEC country as the national ECU clearing house.

Major impetus has been given to the development of the ECU by the floating of an ECU-denominated Eurobond on behalf of the European Community by the three big Swiss banks, which thus signaled their desire to forge ahead with the new "currency." One of the three has indicated its intent to become the Swiss clearer for ECUs.

## Supranational currency

Clearly, the ECU is poised to become a supranational currency strictly in the hands of the private banking system, escaping the reach of sovereign, national jurisdiction. The "autonomy" of the central banks from the democratic process in most Western nations means that the BIS-centered system will become a key instrument in the supranationalization of international monetary affairs. "The success of the ECU has been thoroughly 'private,' in the sense that it has been anchored in the activities of entrepreneurs and investors rather than in the political will and the authority of governments," writes the Milan business daily *Il Sole*.

"The ECU is the unique manifestation of some political backbone in Europe," a banker commented. "The idea is to withdraw intra-European international payments from the dollar. There is a complete consensus of the European financial technocracy for it. It could be very useful: In case there were an international banking panic, for instance, the dollar-denominated liabilities of European banks could be re-written in ECUs. This can be done on an entirely private basis; 80% of the intra-European interbank transactions are done in dollars. The ECU could replace the dollar easily."

A banking proponent of the ECU explained: "The impetus for its development and the current push came from the European Commission," the supranational bureaucracy of Brussels, whose Malthusian leanings are as well-known as its fanatical determination to suppress national sovereignty. Former EEC director-general of monetary affairs Fabio Padua-Schioppa, a Venetian oligarch, played an essential role, as did his monetary affairs adviser Robert Triffin, who told *EIR* a few weeks ago that the development of the ECU would fulfill his lifetime ambition, the end of the dollar as the world's major reserve currency. Triffin's autobiographical essay stresses that his lifelong design has been to apply the theories of kook-Jesuit philosopher Teilhard de Chardin to monetary

affairs, including the "convergence toward world government" which is Teilhard's political hallmark.

Padoa-Schioppa has now returned to a senior job at the Banca d'Italia, which is one of the major forces for the ECU expansion among European central banks. His successor at the EEC, Massimo Russo, leans in the same direction. In a speech given on May 19, Trilateral Commission executive Gianni Agnelli, the man who boasted that the Commission had imposed Jimmy Carter as President of the United States, called for the establishment of a "Europe of the currencies." "I have not seen any better example of entrepreneurial vitality than the private use of the ECU," he said, "and a robust private market has emerged with this unit of account, which only needs a minimum amount of regulation." The ECU should be used massively in international settlements, Agnelli added.

Another boost to the ECU's fortune came when French central banker de la Genière went out of his way in his annual report to the French president, and called for "measures that would improve the status of the ECU as a currency. . . . Obstacles that still hinder its circulation between the EMS central banks should be attenuated. . . . The use of the ECU outside that circuit should be promoted." The vagaries of the dollar were used to support such proposals.

In short, the intent behind the BIS meeting is to decouple from both the sovereign governments and the U.S. dollar, and in fact, to prepare to economically integrate with the Soviet bloc.

### The Soviet angle

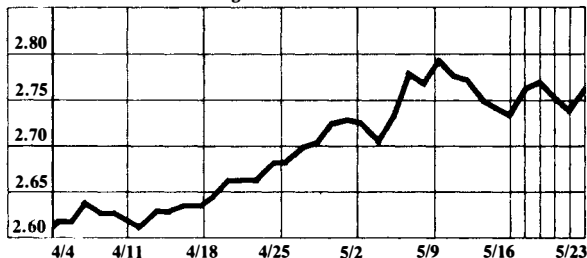
As *EIR* has reported, Soviet interest in the ECU has been avid. At an April week-long symposium held in Tashkent with top German bankers, Soviet financial officials pressed heavily for a massive development of ECU use and clearing, and its generalization as a privileged instrument of East-West settlement. "Their advantage is obvious: anything that reduces the role of the dollar is welcome, and the ECU would do that on a grand scale," a Belgian banker said. "It will cut the dollar down to size. The Russians have already billed trade agreements with French companies in ECUs. The loans were made in ECUs, settled in ECUs, they had to purchase ECUs to do so."

"Moscow Too Believes in the ECU," *Il Sole* entitled an article, which reported that the Soviet Foreign Trade bank, Vneshtorg, had just opened ECU accounts with leading ECU clearing banks. Beyond simple commercial transactions, Moscow is furthering at the monetary level its strategy of decoupling Western Europe from the United States. "It is the common interest of the Soviets and Western Europe to develop the ECU," a City of London expert commented. "All that is needed is that the European Commission gives its go-ahead." The name of the cited official in charge, Massimo Russo, meaning "the Great Russian" in good Italian, makes it hard to see how the green light could fail to appear.

## Currency Rates

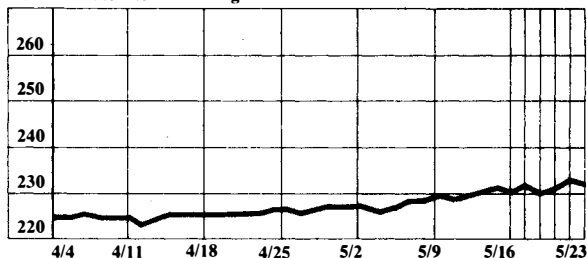
### The dollar in deutschemarks

New York late afternoon fixing



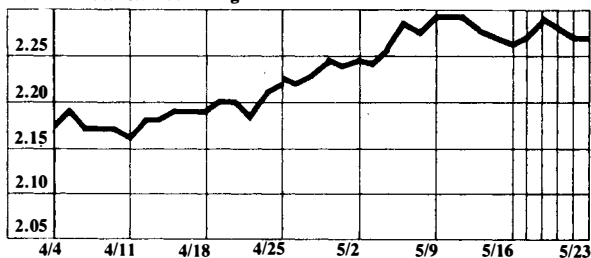
### The dollar in yen

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing

