Moscow encourages ECU trade to decouple Europe

by William Engdahl

On April 6, the Commission on French-Soviet Trade, meeting in Paris, made the decision to increase bilateral trade volume by some FFr 4 billion ($400 million) this year. On May 12, a top-level Soviet trade delegation arrived in Stockholm to discuss "a renaissance for Swedish-Soviet trade" which, according to the Swedish State Export Credit Corporation, SEK, has stagnated since 1981 because Moscow refuses to pay the 14% Swedish interest rate for trade financing. The purpose of the May 12 talks was to establish the basis for future trade.

These deals are not isolated examples. In March, at the annual meeting of the British-Soviet Chamber of Commerce, Sir John Mayhew-Sanders told the official Soviet paper, *Pravda*, "Your country . . . is starting to implement long-term programs of economic development in which British firms can and would like to take an active part."

The British-Soviet Chamber of Commerce has just decided to open a permanent office in Moscow, and talks are under way for possible contracts for British firms such as Davy McKee, to construct large chemical plants in central Russia, Caucasus, and the Far East for more than 1 billion rubles (approximately 1 billion pounds sterling or $1.3 billion). At the end of this past January, Soviet Deputy Prime Minister Aleksei Antonov arrived in Bonn, West Germany for two days of discussions with the Kohl government and the leading figures of German finance and industry. Antonov held out the carrot of possible future trade deals for major German steel and chemical giants Mannesman, Krupp, Bayer, and others totaling more than $2 billion over the next five-year Soviet economic period.

What is novel and extremely significant about these latest trade deals from Moscow is the fact that they are part of a highly sophisticated long-term strategy designed to reorient the economies and currencies of Western Europe into an Eastern rather than a Western direction. This is being done through Moscow's encouragement of pricing these trade deals, not in the normal dollar currency, but in the synthetic ECU. What exactly does this new development in Soviet financing tactics imply?

The ECU is simply a bookkeeping device used, since its creation in 1975, as a basket for weighing the different EuropeanCommunity local currencies to reckon accounts in Common Market internal trade, initially called the European Unit of Account.

Changed in 1979 to the present ECU (European Currency Unit), under the European Monetary System proposal of then-German Chancellor Helmut Schmidt, the relative exchange values of the various EC member-country currencies—German mark, French franc, Italian lira, and so forth, were frozen and defined as a central rate to facilitate intra-European trade under the Common Agriculture Market. It is not possible to go to a bank and trade German marks or francs for a fistful of ECUs. It is at this point simply an agreed accounting average of the different currencies relative to their values when the ECU was created in 1979.

But it is much more. A determined faction within European financial elites, have for years advocated development of a full supranational European currency to replace the national currencies of Germany, France, and so on. In April, these plans moved one major step ahead when European Community finance ministers, meeting in Palermo, Sicily, agreed on certain limited steps to extend the use of the ECU, at least among European central banks. The scheme, which has been a favorite of French President of the European

Commission, Jacques Delors, as well as Schmidt and current West German Economics Minister Martin Bangemann, is intended as a further step to force full dissolution of sovereign national determination of monetary policy by creating what is termed a "fully privatized ECU" currency, as a European alternative for the U.S. dollar, for European trade.

In November 1984, top Soviet KGB official and co-founder of the anti-growth Club of Rome, Dzhermen Gvishiani, appeared at a colloquium in Paris to discuss perspectives for East-West trade through 1990. The socialist French banker, Jean Déflassieux, chairman of the giant bank, Crédit Lyonnais, was one of the participants. They reportedly discussed ECU financing of their trade as "a challenge to the dollar." On May 24, the same Déflassieux was in Moscow to sign one of the largest ever contracts, as head of a delegation of 90 top French businessmen, for FFr 4 billion, for delivery of steel and steel plates.

Déflassieux announced that his Crédit Lyonnais will issue a 100 million-ECU credit to the Soviet trade bank, Vneshtorgbank, to finance the trade deal.

Because of the collapse of the debt pyramids in Western capital markets since especially 1982, the Moscow loan market is regarded as one of the only areas left which is not about to collapse. This gives the Soviets enormous bargaining leverage to use the carrot of a few large trade deals to encourage the process of ECU decoupling of the economies of Western Europe. That is an essential part of Moscow's military decoupling goal.

Economic truths behind Soviet push

The Russians are very conscious of what a European "decoupling" from the dollar would imply for their New Yalta strategy of Finlandizing Western Europe. A look at a few basic economic indicators is sufficient to understand why Moscow views the forced shift of Europe's economic alliances from Washington to Moscow as the most efficient and direct means to Soviet world hegemony in the near future.

A team of *EIR* economic analysts conducted a recent examination of the statistical relations between the superpower blocs, based on the economic strengths of North American, Western Europe, and Northern Asia (Korea and Japan). The figures show that the in-depth industrial (and therefore warfighting and defensive potential of the United States) depends heavily on the economic resources of Western Europe and America's allies in Korea and Japan. Should the Soviet Union succeed, as it is currently doing, in bringing those parts of the world into its political-economic orbit through a combination of intimidation and trade offers, the United States will be in no position whatsoever to challenge the Soviets' bid for world domination.

First, in terms of the industrial workforce, the "Western" bloc comprises 37.6% of the world's industrial labor force, whereas the Soviet-dominated portion amounts to only 26.6%. The dominance of the "West" in the area of energy production is comparable: 37.4% as against 25.2% of world energy production. In energy consumption, it rises dramatically to a ratio of 49.4% of world consumption by the Western bloc and only 24.0% by the East.

When one looks at certain crucial industrial indicators, the superior productivity of the West becomes more apparent. In cement production, the North America-North Asia-West Europe bloc produces 44% of the world total. The Eastern Europeans and Soviets produce only 28%.

In steel, the pro-NATO countries produce 55.3% of the world total, whereas the Soviet bloc produces only 35.5%. And in trucks (a capacity easily transferred to tanks and other wartime necessities), the "West" outstrips the Soviets by 81.8% of world production, to 11.1%. Less decisive is the lead of the pro-NATO countries in fertilizer: "West" 47.6%, and "East" 33.4%. And the lead disappears altogether in the crucial area of tractors: 43.6% of world production by the "West" as against 45.2% by the "East."

Clearly, the Soviet Union is fully aware of this correlation of economic forces. That is why it has determined to bring under its thumb the industrial potential of Western Europe and Japan, in particular, as rapidly as possible. For once the United States has lost the economic potential of its allies, it will be at best a third-rate power.

Take the industrial workforce, for example. If the United States lets Japan and Europe be co-opted into the Soviet camp, the American share of the world industrial labor force will go down to 10.9%, as opposed to a grand total of *53.3%* for the East bloc plus (new) allies. In energy production, the United States will be reduced to 24.5% of the world total, as opposed to 37.9% for the "East."

But perhaps the biggest shocker of all comes with the production of certain essential industrial components—cement, steel, tractors, and fertilizer. If the United States loses Western Europe and Japan, it will then control only 8.6% of world cement production, as opposed to 63.8% for the Soviet bloc plus allies.

Within the Soviet-controlled bloc will be 84.8% of world tractor production, while only 4.1% will be within the United States. As for steel, the U.S. will control only 14.0%, compared to 76.7% on the Soviet side.

Is it any wonder, then, that the question of European economic decoupling from the United States is both of decisive strategic significance for the Soviets and one of the areas of greatest Soviet emphasis? Moscow launched the latest phase of its economic decoupling organizing with the meeting it sponsored in Soviet Tashkent in April 1984. There, speaking primarily to the gathered presidents of the largest West German commercial banks, the Soviets unveiled their strategy of offering gigantic trade packages to the starved order-books of European industry—but only on condition that the trade be conducted in ECUs, and not U.S. dollars. That Soviet offer, which appeared difficult if not impossible to fulfill at that time, is now becoming reality.

And we are now witnessing only the beginning of the process.