Moscow plays European Community corruption to advantage on meat sales

by William Engdahl

The largest corruption scandal since the creation of the European Community's Common Agriculture Policy (CAP) in 1962, broke when West German beef exporters exploded in anger over the terms of the Sept. 19 Brussels European Community Council of Ministers decision on the sale of an estimated 700,000 tons of beef which are expected to be in surplus this year.

The scandal points to a group around controversial French Communist Party financier, Jean Baptiste Doumeng, and also implicates the top level of officialdom in the European Community's Directorate-General VI of Agriculture, including immediate past general director Claude Villain. The scandal revolves around the rigging of the sale of at least 175,000 tons of prime surplus beef from the stores of France's Doumeng to provide Russian war economy stockpiles—at Western European taxpayers' expense.

West German and other European Community taxpayers in Italy, France, Britain, Belgium, Denmark, and Holland are giving the Red Army troops the best of West European beef at a price of 1.23 DM/kilo ($0.20/lb.); German consumers pay an average of more than 12 DM/kilo (ca. $2.00/lb.) for the same meat. Third World countries, where millions are starving, are forced to pay world market prices—if International Monetary Fund conditionalities allow them to import meat at all.

One West German industry-linked source revealed that a dirty deal was rigged in Brussels which guaranteed that only one company—Doumeng's Socopa—could sell the huge beef surplus, to only one potential buyer: Russia.

The red-meat mafia

"It's a commonly known fact that one mafia controls the sale of meat to the East bloc in Europe," a West German-based trader confided. "This is the mafia which has Jean Baptiste Doumeng at the center." Doumeng is the mysterious French billionaire who reportedly made his fortune through his favored links in the postwar period to Soviet KGB intelligence, and in particular to present Soviet strongman Mikhail Gorbachov and to Gorbachov's predecessor, Yuri Andropov, the longtime head of the KGB. Millions flowed to Doumeng and his export firm, Interagra, as a result of the KGB's specifying of terms of purchases which guaranteed a lion's share to Doumeng's companies. As a result, Doumeng has built the single most powerful financial and industrial monopoly in French agriculture trading.

Systematically, since 1972, the European Community Council of Agriculture Ministers has increased price subsidies, termed the Orientation Price, for European Community beef by an average of 10% per year. This has created a situation where the European Community price is far higher than world market prices. As a result of byzantine European Community market support mechanisms and other factors, the European Community in recent years has produced some 600-700 thousand tons of surplus beyond European Community consumption. Regular volumes are sold to markets in North Africa and the Middle East countries. But Eastern European countries, especially the Soviets, are the largest single potential market for this surplus, especially with the drastic fall in Mideast oil revenues.

Under the bureaucratic regulations imposed from Brussels on export of European Community surplus agriculture, an export company must normally put up front a substantial deposit on its potential export sale. The European Community must have certified delivery of the surplus in the buyer country in order to receive European Community refund subsidy payment. During the period of up to 90 days of delivery and certification, the exporter must finance and insure the entire shipment.

How the deal was rigged

For the first time in European Community history, the European Community Council of Ministers, at the explicit urging of the Mitterrand government of France, voted on Sept. 19 to require a 75,000 ton *minimum shipment* size. In previous sales, according to informed industry sources, minimum volumes of 3-5,000 tons would have been considered very large. Many small- to medium-size meat exporters would be forced out of the export market because of the large deposit, insurance, and financing costs which must be put up before final refund and payment. Only large exporters can compete at the levels of 5,000 tons minimum.

The Sept. 19 Council of Ministers mandate of a *miminum order* of 75,000 tons, would apply to all surplus sales from the record 750,000 tons in storage. Under the Special Regime, they approved some 175,000 tons of surplus meat, from October 1985 through April 1986, to be sold in this special manner.

Perhaps most outrageous is the subsidized price of 1.23 DM at which the European Community sells its beef for this special export. European beef industry sources are stunned by the Brussels decision. One insider, intimate with the politics behind the present scandal, reports that the terms of the deal in Brussels were engineered by Claude Villain, the man who, until a few months ago, headed the secretariat of Division VI at the European Community which deals with Agriculture subsidies and export questions. Reliable reports indicate that Villain, a specialist in the byzantine regulations of the European Community agriculture bureaucracy, was personally responsible for the design of the Sept. 19 European Community decision.

What is most significant is that Villain, when he left Brussels, became general director of Socopa.

The official position of the West German beef exporters is, "We would rather that the European Community give the meat free of charge immediately, to countries in Africa and the developing sector desperately in need, than to do this. The European Community system of paying enormous storage and insurance fees to hold the stocks for up to 18 months, and then to give it to the Soviets at 1.23 DM/kilo" is unconscionable, according to their view. It is yet unclear why the German delegation in Brussels approved the 75,000 ton deal.

Socopa and Doumeng

Socopa, Société Générale Socopa, Paris, is France's, and Western Europe's largest meat cooperative. It is owned by a group which includes France's "King of Beef," Gilbert Salomon, and Jean Baptiste Doumeng, through his huge Interagra firm. Socopa is reliably reported to receive "secret" French government subsidies to allow it to capture select export markets, in strict violation of the Brussels European Community agreement. Such subsidies are especially aimed at securing monopoly on East European exports.

Doumeng also sits on the Board of the French state export insurance agency, Coface. Coface, according to industry sources, is the only such state export insurer which offers to cover 100% export risk at "insanely low rates" to the exporter. Because of the 75,000 ton minimum imposed by Villain's friends in Brussels, any potential exporter must be able to pay, beforehand, finance, deposit, and insurance costs of an estimated 11,000 DM/ton, or 827 million DM. This could be then tied up for months before he gets a penny in refund. Because of the Coface and Socopa combination, French communist financier Doumeng is presently the only man in Europe able to meet these requirements.

It can hardly be considered pure coincidence that the European Community export giveaway was timed just before the arrival of Soviet leader Mikhail Gorbachov in Paris, the first week of October. The European Community surplus sale comes as a windfall to further finance the Moscow-sponsored takeover of the French state in the wake of the series of resignations over the "Greenpeace Affair," the ongoing scandal over alleged French military-intelligence involvement in sinking a nuclear-protest ship belonging to the Soviet-linked Greenpeace organization last July.

Because of the incestuous relation of Doumeng's meat exporter, Socopa, and the state agencies such as Coface, and now the Brussels complicity, Doumeng is theoretically able to sell his beef at premium prices to European Community stockpile surplus, rebuy it at immense profits, export it to Russia, and get back virtually the entire price of purchase, meaning profits of 200% or more.

Not surprisingly, when the Mitterrand government hosted Soviet leader Gorbachov, Jean Baptiste Doumeng was an honored guest at the state banquet. Doumeng personally arranged the 1966 visit of Gorbachov to France to inspect French agriculture, and has been an intimate of Gorbachov for at least 20 years.

EC subsidizes Russian war economy

This Soviet mafia is obviously dictating Brussels policy across-the-board on subsidized exports. At the end of 1984, a scandal broke when it leaked out in the press that the same Jean Baptiste Doumeng had manipulated to export 200,000 tons of European Community surplus butter to Moscow at similar "giveaway" prices of 1.35 DM/kilo. Now, there is evidence that Brussels plans a further huge giveaway to Russia of surplus European Community butter in storage. Exactly one week after the scandalous announcement of the "Great Russian Meat Robbery," European Community Commissioner for Agriculture, Frans Andriessen, told the European Parliament on Sept. 27, that the European Community is probably going to give another 200,000 tons of surplus butter from the more than 1 million tons in storage, to the Soviets. Jean Baptiste Doumeng is clearly waiting to collect his scandalous profits from this one as well.

Then, in the latest indication that there is a political "fix" between the Brussels Commission and Moscow, a kind of "Agricultural New Yalta," on Oct. 1, the Soviet Union, for the first time in ten years, confirmed that it would *not* honor its minimum purchase agreement for buying U.S. grain export. This comes as a political shock.

U.S. Agriculture Secretary John Block was in Moscow several weeks earlier to secure Russian affirmation of the grain agreement. Moscow has purchased 2.9 million tons of its agreed-upon 4 million ton minimum with the U.S.A. Now, Gorbachov dangles the enticing prospect of a huge market for European Community surplus grain export to the Soviet Union. In 1985, Russia imported a record 55 million tons of grain from the West, principally the United States. But, no hard-working European farmer who is not tied into the Moscow mafia of Jean Baptiste Doumeng, need get encouraged. The price for France's share of the Russian market is clearly intended to be total political capitulation to Soviet foreign policy. Is West Germany next?