

## Playing its German card

The BKA Bank which led the bond offering syndication is a subsidiary of the West Länder Bank, one of West Germany's largest, based in Dusseldorf and tied to the regional government of Social Democrat Johannes Rau. It is also the German bank most intimately involved in financing East German trade. "The Russians wanted to make their first attempt in Switzerland. That's the toughest market for testing something exotic like this, and once they succeed there, they can go into any market," a leading London bond expert told *EIR*. "But the real intent is to tap the West German deutschemark capital market," the *Frankfurter Allgemeine Zeitung* reported.

Discussions are under way to float a second issue, this to be denominated in deutschemarks, for a hefty amount of perhaps DM 500 million. That will be floated from the German "offshore" center called Luxembourg, allowing Russia to take even lower credit terms than the Bonn government because of tax laws. German economic circles report that this second issue will be syndicated by Dresdner Bank, one of Germany's "Big Three" and a bank that has long done business in the East, especially during the financing of the huge and controversial Siberian natural gas pipeline in the late 1970s.

Moscow is targeting the West German economic market, not the United States. But, report well informed senior intelligence circles in Germany, they will deliberately downplay this fact until they have secured ratification of the INF Treaty in Washington. In the meantime, they will take advantage of the eagerness of Western bankers to set the stage for later purchase of large and "cheap" volumes of superior West German engineering and machine tool products in coming months.

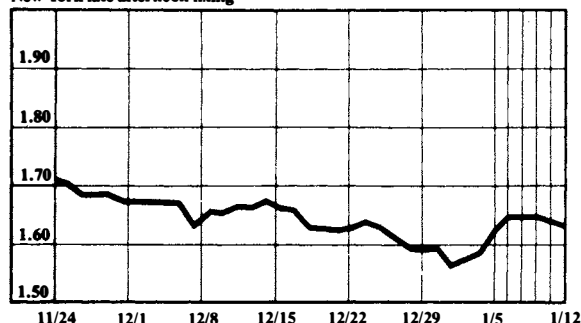
"The Russians are aware that German industry is under pressure and pressuring Bonn because their trade with Eastern markets is sharply down," said one West German economist. Exports from West Germany have been devastated by the high cost of the deutschemark. "Russia earns some 80% of its hard-currency reserves by exports of oil and gas. This is priced in dollars by convention," the expert added. "This means that, relatively, their cost to buy West German goods has gone up more than 100% in the last two years of dollar fall." German exports to the Soviet market as a result are down sharply, with the 1987 preliminary estimate being a decline of 20%, following a similar decline the prior year.

So, Moscow is now smiling as one after another historic barrier into the West breaks down. While their needs are considerable, especially for the most advanced Western machine tool and computer technologies to modernize certain military-industrial capacities, the Soviets will take advantage of what they clearly see to be growing desperation among Western bankers scrambling for new markets. This is the deeper importance of the otherwise little-noticed offering of Jan. 6 in Switzerland by Germany's BKA Bank.

## Currency Rates

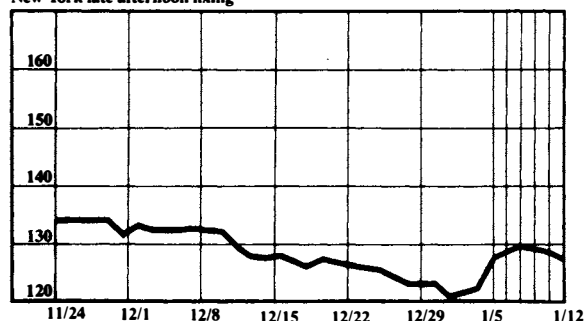
### The dollar in deutschemarks

New York late afternoon fixing



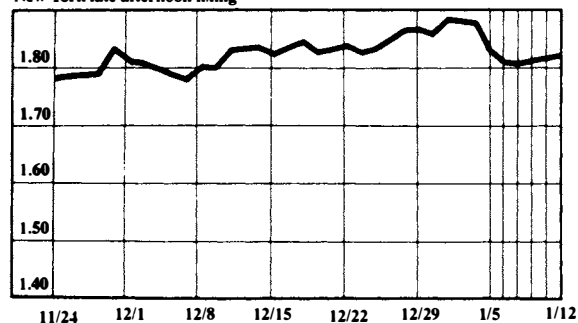
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

