Soviet economic bid to dominate Europe

by Rachel Douglas

While hordes of Soviet troops moved on land, sea and across rivers in the U.S.S.R.'s June-July practice of a lightning strike against West Germany, banking and government economic delegations from Western Europe streamed in the other direction, portfolios laden with plans for deals with Moscow. The Soviet Union is aggressively courting, arm-twisting, and bludgeoning the West Europeans to "decouple" themselves from the United States not only militarily, but also in the economic sphere.

In the Soviet economic warfare arsenal, now trained on Europe, are the enticements of export markets, the crude lever of price-cutting, and demands for a guaranteed share of the European market for Soviet natural gas exports, and less-than-stealthy connivance with Swiss and other interests to boost the value of the U.S. dollar—increasing the attractiveness for the Europeans of a break with the dollar. At a seminar in Tashkent, Soviet Uzbekistan in April, Soviet representatives eagerly discussed with West German bankers the advantages of denominating East-West transactions in the European Community's unit of account, the European Currency Unit.

In late May and again in early July, large Soviet purchases of dollars in the Far East contributed to running up the dollar at moments when the U.S. Federal Reserve's hiking of interest rates was having the same effect. Federal Chairman Paul Volcker happened to tour Eastern Europe in late June, visiting Warsaw Pact member Hungary as well as Yugoslavia.

Every Soviet economic move in Europe is politically and militarily motivated, as is also the case worldwide—as revealed by Moscow's moves respecting oil and grain. In the first quarter of this year, official trade statistics show that the Soviets shifted their purchases of oil from their usual radical friends like Libya and Iran, to Iraq and to Saudi Arabia, just as they launched a diplomatic offensive to pick up assets among the conservative Persian Gulf states after American foreign policy in the region foundered. As for grain, the sudden upswing in Soviet purchases of wheat as the international grain marketing year began on July 1 appears planned to build up a reserve stock in the U.S.S.R., a military-strategic advantage for a superpower that is risking world war. A huge new port facility for the grain intake is under construction on the Baltic Sea.

Natural gas from the West Siberia export pipeline is set to move this fall, but the depression has slashed demand in Western Europe. In May, the national company Gaz de France sought a reduction in the price of Siberian natural gas to France and a cut-back in deliveries as well. Ruhrgas, of West Germany, has been holding similar talks with the Soviets on the danger that the price contracted for the Soviet gas will not be competitive.

Unfazed by these requests, Moscow has moved aggressively to undercut other suppliers and seize a bigger share of the market throughout the continent. In July, the Soviets made their first-ever offer of natural gas to Belgium, which forced the Dutch national gas company, Gasunie, to slash its prices by approximately 15% in order to keep its Belgian customers.

On May 23, the long-delayed contract for Italy to buy Siberian natural gas was signed with fanfares in Moscow. The next month, Banco di Roma's president Romano della Chiesa, whose bank finances 10% of Soviet-Italian trade, met with Soviet bankers in Moscow and announced his intention to assist the gas deal and other new trade.

Other visitors to Moscow this spring and early summer—alongside the foreign ministers of Italy, West Germany, and Great Britain and French President François Mitterrand—included R. Thomas, President of Banque Nationale de Paris for talks with Soviet State Bank (Gosbank) chief Alkhimov in May; Italian Transport and Civil Aviation Minister Claudio Signorile to sign a Soviet-Italian protocol in June; Holland's Agriculture Minister Gerrit Braks and Transport and Water Minister Smit-Crus on separate visits in June; a British trade delegation in May and another of businessmen and industrial representatives under British-Soviet Chamber of Commerce head Kevin Thompson in June. The Soviet agriculture minister, V.K. Mesyats, visited Sweden in May.

The ferocious displays of Soviet armed might on the borders of Western Europe serve to impress upon those countries the advantages of doing business in the East. According to reports from Japan, the Soviets have further positioned themselves to capitalize on political and military explosions in the Third World, which they in turn are fanning; the Japanese trading house Toyo Menka Kaisha, according to press reports, has made plans to import oil from the Soviet Union's Ural fields in case the Persian Gulf war shuts down oil supplies from there.

The Soviets may well be making themselves room to make such offers of security, by building up its available oil. According to a spokesman of the Diamond High Council, Moscow has "switched to diamonds," away from oil, for earning foreign exchange in 1984, shaking the diamond-sellers with an influx of Soviet gems. The Soviet oil not being sold for currency is certainly not being shifted to the countries Eastern Europe; the East bloc summit resolved that those Soviet satellites will get less Soviet oil, not more, and they have already started buying oil in the Middle East.