

European central bankers move to create ECU zone against dollar

by William Engdahl

A development whose latest phase was launched by the Soviets back in April 1984 finally reached its first stage of completion in March, when the Swiss-based Bank for International Settlements (BIS) agreed in principle to become the official "clearing house" bank for transactions in the European Community's (EC) basket of currencies, the European Currency Unit (ECU).

The agreement, reached at the March 19 meeting in Basel of the central bank governors of the European Community, the 10 so-called Common Market countries, significantly upgrades the status of the ECU. It allows for central-bank swapping of ECUs for dollars within the EC and payment of higher interest rates on ECUs to make them more attractive. The BIS role is expected to be approved by the EC in May and become operational by 1986 or late 1985.

A financial decoupling instrument

In mid-April 1984, the Banking and Financial Subcommittee of the Joint German-Soviet Economic Commission met in Tashkent in Soviet Uzbekistan. The topic of the meeting, convened at the U.S.S.R.'s insistence, was to discuss the Soviet request that a presentation be given by the Germans on the "perspectives for commercial use of the ECU as an international reserve currency to replace the dollar."

One participant at the meeting reported afterwards, "The Russians are interested in helping find a currency to replace the dollar as an international currency. . . ."

Moscow's intention is obvious, and runs parallel to that of the Central European oligarchy, especially the Swiss. Behind the attempts at transforming the ECU into an international reserve currency lies the desire to financially decouple Western Europe from the United States.

These efforts are particularly dangerous today because they are occurring in the context of a growing threat of U.S.-initiated trade war across the globe, both with respect to Japan as well as between the United States and Western Europe. Fed by the "free trade" faction in the United States, the escalating climate of trade war is freely putting into the hands of Moscow and the European oligarchy the necessary foundations for an economic decoupling—Moscow's principal

strategic goal. Such a development would spell an overwhelming threat to U.S. national security and that of the entire Western world.

Former French Finance Minister Jacques Delors, president of the European Commission and one of the leading architects of the BIS agreement, called it "only a small package, but it is a symbolic one." How symbolic and how real is becoming a major issue in international banking circles.

What is the significance of the Basel decision?

The ECU, which for several years has been used as an accounting tool for handling agricultural and other trade among EC member countries, is the brainchild of the aging Robert Triffin, the Belgian economist who was one of the postwar architects of the International Monetary Fund and other such atrocities of world finance.

The concept is to fully subsume national sovereignty in currency matters to a supranational body. Under this scheme, the ECU would become the wedge to destroy the role of the dollar, as the postwar currency of world trade and finance.

Fully implemented, as Triffin and others conceive it, the ECU would be the final step in decoupling Europe economically from the dollar, replacing it with balkanized zones coherent with a politically balkanized world of ECU, yen, dollar and perhaps ruble zones. The ECU would then be the basis of trade integration between the decoupled European bloc and the Soviet bloc region. This aspect of the ECU was recently praised by West German Economics Minister Martin Bangemann.

The role of the BIS is significant and peculiar in this process. Switzerland is not even a member of the European Community. Again, the secretive Swiss banking families emerge in the center of major international financial developments. The United States, furthermore, is not an official member of the BIS.

"The ECU issue is very controversial within the EC. The ECU is the first priority for European economic integration. A happy by-product of that would be creation of a second world currency." This was the assessment of a principal adviser to Bangemann who is close to Triffin as well as to certain private bankers who are pushing the ECU.

German resistance to 'funny money'

There remain formidable obstacles to Delors' scheme to make the ECU into a full and "privatized" currency which would fully replace the dollar at a determined break point. The major obstacle for the moment is the powerful West German Bundesbank.

To dispel any rampant speculation, Bundesbank head Karl-Otto Pöhl stated bluntly that it would adamantly oppose ECU use as a full private alternative currency until many other steps have been taken toward full economic integration.

"There is a group in Brussels around Delors which wants to establish the ECU as a rival to the dollar," one leading City of London analyst told *EIR*, "but the Bundesbank blocks this because they maintain the ECU is not an actual currency."

The issue of Bundesbank resistance to full use of the ECU as bank reserve capital is more than minor. The German constitution written in the postwar period explicitly forbids holding of any but fixed currencies as reserve capital. The experience with 1923 Weimar hyperinflation, so-called mefo-bills, and other monetary madness stands behind the strong nationalist regulation.

At present, by all accounts, there is no sentiment in the Bundesbank nor in the Bonn government to alter this law. As Germany is the strongest economy and banking system of the EC, its rejection of full privatization of the ECU is decisive.

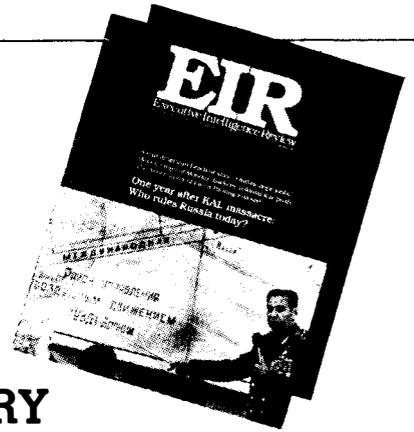
Nonetheless, the BIS clearing house decision is a major political step in the direction of a future European dollar decoupling. But a major roadblock also exists from the Swiss side in terms of the role the BIS is willing to play.

For the moment, the BIS is insisting on only the very specific central-bank clearing-house function for its involvement. It refuses to assume the responsibility of "lender of last resort." This means the BIS refuses to get stuck should the future ECU edifice collapse in bankruptcy. The issue is a central one blocking, as much as the Bundesbank, full use of the ECU as a currency rather than a statistical accounting device that mediates between actual currencies within the EC.

Still, the ECU issue is gathering momentum behind the scenes. One London source told *EIR* that there is an attempt by Delors, who came to Brussels from the Mitterrand government, "to offer the Germans some *quid pro quo*" which would soften their stance.

One possibility speculated upon would be alteration of current French and Italian restrictions on capital movement, which, among other things, hamper full flow of German investment into those countries as profits cannot at present be repatriated.

In a statement published in the March 27 *Financial Times* of London, German Bundesbank Central Monetary Policy Council member Wilhelm Nolling stated, "We need free capital movements," referring specifically to the French and Italian restrictions. But, he quickly added, "not an extensive private use of the ECU and a premature further institutional development of the European Monetary System."



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- OCT. 12:** Ogarkov resurfaces for a meeting with East German party chief Erich Honecker. Western news services learn that he has been named commander of the Western Theater of War.

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