How the British oligarchy controls Brussels EU policy

by William Engdahl

Most of the 360 million people within the 15-member-nation European Union are unaware that the tiny handful of people who ultimately determine policy concerning their economic well-being, do so with no accountability to the citizenry. The recent scandal over allegations of corruption and nepotism within the EU Commission, which forced the resignation of the entire EU Commission of Jacques Santer, has in no way made the EU supranational institutions more democratic. Most important about the Santer "mismanagement" affair, is the light it sheds on who wields real power within Europe.

The new EU Commission president, former Italian Prime Minister Romano Prodi, a graduate of the London School of Economics and a key player in the "Clean Hands" operation which destroyed the traditional Italian political parties, was the personal choice of British Prime Minister Tony Blair. In nominating Prodi, whom Blair calls "Mr. Clean" (in contrast to the "tainted" Santer Commission), the British Prime Minister chooses to overlook strong evidence of Prodi's misuse of power as head of IRI, Italy's largest state holding company. Blair also immediately renamed the two British EU Commissioners, Neil Kinnock and Sir Leon Brittan, to Prodi's Commission, apparently to underscore the British posture of being "above suspicion."

Indeed, the showdown which forced the resignation of the Santer Commission was orchestrated from behind the scenes by Blair, acting through his close associate, Pauline Green. Green, a U.K. national who heads the largest bloc in the European Parliament, the Socialists, is a close friend of Blair and a member of Blair's Labour Party. It was Green who initiated the vote of no confidence in December 1998, when few took the allegations seriously. It was Green who, on release of the March 15 report of a committee of independent experts, forced the Commission to resign, by insisting that Santer bore full responsibility for the misdeeds of his fellow commissioners. Notable about the scandal, is that there was nothing in any of the allegations which could not have been made against any EU Commission at any time since 1958. It is in the oligarchic nature of the Commission, removed from direct voter oversight, that such corruption has always existed. The crucial point is: Why did the crisis arise now, and why was a new Commission, one headed by Blair's hand-picked choice, Romano Prodi, brought in?

The EU Commission

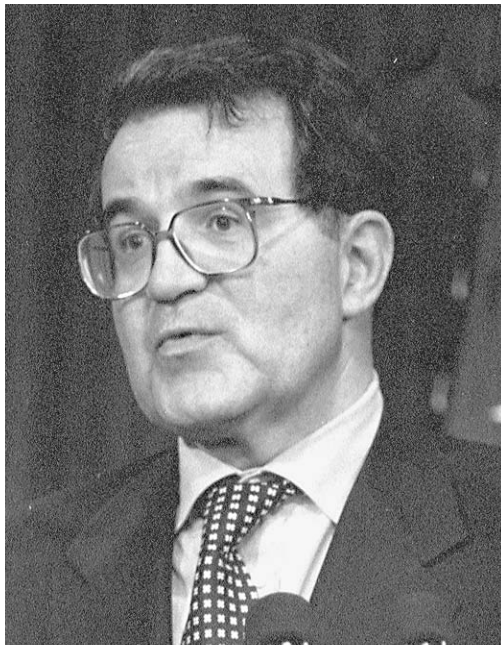
The Brussels EU Commission itself is an example of what the Greeks more than 2,000 years ago termed an oligarchy. In contrast to a democracy, in an oligarchy political rights and power are held exclusively by a tiny elite whose power and political rights are based solely on their wealth and property or family connections. While EU institutions today maintain the barest facade of democracy, real power is held by a small elite of civil servants, not accountable to voters. And, their policy decisions, in turn, are made on behalf of the most powerful financial and corporate interest groups—the oligarchy of the giant European banking and insurance groups, often acting in concert with a handful of European-based global multinationals.

Who actually holds power within the EU institutions is clear from a brief account of their structure. The ultimate decision-making power in EU policy is held largely by a European Commission consisting of 20 appointed commissioners. Once appointed by their national government, they are free from any democratic checks. They decide all aspects of policy in Europe, from environment, to transportation, to industry, to health, to finance and banking, decisions affecting every aspect of the daily lives of the 360 million EU citizens. Yet, not one of these 20 persons has been elected by the broader population to hold this decision-making power over all of Europe.

True, there exists a body called the European Parliament, for which elections are held periodically throughout Europe. However, the European Parliament is little more than an impotent cover designed to provide the gullible with an illusion of democratic representation, while real power lies in the hands of the unelected EU Commission and the powerful financial and corporate interest groups behind it. This reality has been given the label "Democratic Deficit."

The European Parliament has no legislative powers of substance; it is only advisory. It has no control over the choice of the 20 members of the Commission. Moreover, the acquiescence of this pseudo-Parliament was just purchased, to keep it quiet about its lack of power: The 626 Members of European Parliament (MEPs) will now receive a monthly sum of 18,760 deutschemarks (more than $11,000), in addition to a monthly expense allowance of some DM 6,400, all taxed at the lowest

British Prime Minister Tony Blair (left) and former Italian Prime Minister Romano Prodi, now president of the European Commission.



possible rate.

A tiny elite of giant banks and insurance firms, and a tiny elite of giant European industrial conglomerates, determine most of the vital economic and social policy, which the EU Commission implements. This reality is obvious from the influence of banking and large industry in policy, above all in the creation of the euro, a common currency for the 11 Euroland member-states, and the European Central Bank, as well as in the radical reform of EU practice called Agenda 2000, where the Brussels-based European Roundtable of Industrialists shapes policy for the commissioners behind the scenes.

The European Central Bank

An example of the oligarchic nature of the EU institutions can be found in the recent creation of the European Monetary and Social Union, the EMU, and its supranational European Central Bank.

It can be said that the Maastricht Treaty and the creation of the euro is the final triumph of former British Prime Minister Margaret Thatcher, even though Thatcher was out of office when Maastricht was signed, and despite the fact that she became a vehement critic of British entry into Maastricht. The effect is more subtle.

The EMU represents the victory of Thatcher's "free market" ideology over the traditional German-centered "Rhineland capitalism" model of the postwar period, which remained dominant until the murder of Deutsche Bank's Alfred Herrhausen on Nov. 30, 1989.

The 1991 Maastricht Treaty on European Monetary and Social Union was created at the time of German unification. It was forced upon the government of Helmut Kohl by France's François Mitterrand, Britain's John Major, and other EU heads of state, in order to contain German economic power. The treaty contained the most profound assaults on national sovereignty, including abolition of one of the most essential rights of a sovereign nation—power over its national currency and monetary policy.

Yet, there was no vote by the population of Europe on whether to undertake this radical surrender of fundamental sovereign rights. When the voters of one small EU member, Denmark, rejected the Maastricht Treaty in a non-binding referendum in June 1992, the EU oligarchic apparatus and complicit governments, including Mitterrand's, quickly acted to ensure that there would be no serious public vote on the euro or the EMU.

There never was a public debate within Germany or other EMU countries on the role of the European Central Bank, which is wholly independent of any elected governments or of any control by the citizenry. Article 107 of the Treaty of Maastricht, which is now law throughout the EU, mandates that "neither the European Central Bank nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, or from any government of a member state or from any other body." The proceedings of the ECB are secret. In short, the EU institution which exercises more power over the daily lives of Europe's citizens than any other, the ECB, is outside the reach of any democratic process whatsoever. Not even the Bundesbank, Germany's Central Bank, enjoys such unrestricted liberty.

It is no coincidence that as the EMU became operational during the spring of 1998, and the euro went into effect on Jan. 1, 1999, a wave of banking, insurance, and corporate mergers swept across Europe. The euro and the ECB policy behind it were essential to allow the giant national financial and industrial groups to create even greater concentrations of financial and economic power. To proceed, they insisted on the elimination of cross-border currency risk. The euro ensures that.

The predictable result has been the most rapid and extreme concentration of financial and corporate power in the history of Europe. This has taken place at the expense of millions of jobs across Europe in small and medium-sized firms—what in Germany is called the *Mittelstand*—which are crucial to economic health. Under the euro, the *Mittelstand* is being destroyed in the name of the European Union. Today, the elite financial and industrial groups dominate Europe as never before.

The banking and insurance oligarchy

The creation of the euro was primarily the work of a handful of giant financial institutions (banks and insurance companies) which shifted billions in world capital flows into the markets of the euro countries over the past two years. On the surface, these giant financial groups would appear to be fierce rivals for market share. But, on vital strategic issues germane to expanding their enormous power within Europe and globally, they act as a group. They have common and conflicting goals, simultaneously.

The most crucial element in the transformation of Europe under the Maastricht Treaty and the euro since 1991, is the role played by one member of the EU in particular, itself not even yet a member of the EMU: Great Britain. The City of London has come to dominate the economic and monetary policy of the 11 Euroland countries, not through direct control of their banks or insurance groups, but rather, through control of euro policy and the ECB, using a far more effective means: ideology.

Beginning in the mid-1980s, as the City of London and Britain were faced with a major crisis in terms of their role in a rapidly changing world, the leading circles of the City of London financial establishment, the real architect of the Thatcher Revolution, launched one of those bold strategic shifts which have characterized British power in the world since the 1588 defeat of the Spanish Armada.

Rather than try to directly control the far larger continental European economies and political processes within the EU, the City set out to subvert the industry-oriented banking and corporate policy throughout continental Europe, especially the German-speaking business world in Germany and Switzerland. To accomplish this, the Bank of England began offering its pawns in order to ultimately secure the queen in the chess game of euro politics. The Bank of England's Eddie George was delegated to find marriage partners big enough and wealthy enough among the large continental banks, for the small but powerful merchant banks and stock brokerages of the City of London. The first major merger carried out with the Bank of England's blessing was the takeover of the prominent London brokerage Philips & Drew by the Union Bank of Switzerland in 1986. The takeover of the prestigious London house of Morgan Grenfell by Germany's Deutsche Bank, in November 1989, was the second such marriage arranged by the Bank of England.

Since then, Dresdner Bank was allowed to take over the Kleinwort Benson merchant bank; the Dutch ING Group was sold the defunct Barings Bank; and Swiss BankCorp got the elite S.G. Warburg & Co. What was not appreciated by most, was that through these takeovers of elite City banks, the British free market speculative cancer infected the banking host of the continent. The case of Deutsche Bank is the paradigm for this process.

The murder of Herrhausen in November 1989 and the Deutsche Bank takeover of Morgan Grenfell the same month mark the critical shift in continental industrial policy, which opened the door for Maastricht, and allowed the EU Commission, and the financial and industrial oligarchy behind it, to destroy the traditional *Mittelstand*-based "Rhineland capitalism" model.

First under Hilmar Kopper, and now under Rolf Breuer, Deutsche Bank has transformed itself from the premier industrial bank of postwar Europe, typified by the industry policies of Hermann J. Abs, into a bank whose only focus is "bottom-line," short-term speculative profit, regardless of the larger consequences for the German or European economy. Deutsche Bank has focussed its investments and energy into building up the London-centered speculation in derivatives, and in trading stocks and bonds and currencies. Only a few months ago, Deutsche Bank announced that it will take its large stock ownership in vital German industry, including Daimler-Chrysler, RWE, Deutz AG, Metallgesellschaft, and Philip Holzmann AG, and create an entirely separate investment fund holding separate from the bank. Deutsche Bank says that, at the appropriate time, it will sell the stock completely, severing its last ties to industry. Dresdner and the other large German banks immediately followed suit. The "shareholder value" mantra, first chanted in Britain, was given as the justification—i.e., paper profit is king, regardless of whether it is good for the industrial base of Germany or Europe. This shift is the direct result of the introduction of City of London speculative ideology, achieved through the skillful marriage of City merchant banks like Morgan Grenfell with select continental banks.

Now, these continental banks and the industry that their free market, globalizing policies dominate, have combined to push through the euro, a supranational currency.

Eliminating the risk of currency shocks within the 11-nation EMU made mergers of banks or insurance firms far easier across Europe. Not surprisingly, over the past 18 months, a merger wave has hit European finance, surpassing any in history. The sheer size of the new banking and insurance conglomerates extends the hegemony of the British-style banks even further over European policy.

Today, the creation of European mega-banks or financial conglomerates out of formerly nationally based giants is far from complete. Already, of the ten largest banks in the world, Europe has the three largest—BNP-SocGen-Paribas, UBS, and Deutsche Bank-BT—and five of the ten largest. The other five largest are Japanese.

The size of these new European banking giants overshadows anything heretofore seen. In 1997, the United Bank of Switzerland, the huge Swiss merged group, had total assets exceeding the entire Gross Domestic Product of the Netherlands, Sweden, and Switzerland combined. If the Paris BNP bank completes its hostile merger with Société Générale-Paribas, the new French giant will be even larger, with total assets nearly the size of the GDP of Italy. Never before has such a concentration of financial and economic power been held in so few hands. Here is a brief profile of the most important of the oligarchical banking and insurance companies behind the EU Commission policies:

UBS Bank: United Bank of Switzerland is the merger of the two largest Swiss banks—Union Bank and Swiss Bank-Corp. Their combined assets in 1998 totalled just under $700 billion. With their combined share holdings in Swiss industry, the new UBS can be called Swiss, Inc. Yet, the concentration of UBS is in the highly secretive area of private banking. The new UBS owns six private banks, including Banco di Lugano, Cantrade Privatbank, and Ferrier & Lullin. It is also one of the world's largest stock brokerages through its London-based S.G. Warburg-Dillon Read. In November 1998, the chairman of UBS, Mathias Cabliavetta, was abruptly forced to resign when certain illegal details emerged of UBS's major ownership of the Long Term Capital Management hedge fund. The collapse of LTCM, in the wake of the Russian debt default in August 1998, threatened losses so huge that the existence not only of UBS, but also the entire global financial system, was in danger.

Deutsche Bank-BT: With the takeover this year of New York Bankers Trust, Deutsche Bank became one of the three largest banks in the world, and one of the largest derivatives traders. Before the merger, it had assets exceeding $590 billion. Today, Deutsche Bank is almost unrecognizable as the bank of German industry created in 1871 by Georg von Siemens, when it played a vital role in such infrastructure "great projects" as financing construction of the Berlin-Baghdad Railway. Chairman Rolf Breuer has been instrumental in making Deutsche Bank into one of the world's most aggressive derivatives and speculation banks, a far cry from the bank of Abs or Herrhausen, traditionally tied to industry. Deutsche Bank was also a significant player in the LTCM hedge fund debacle, as well as in speculation in Russian GKO bonds.

Société Générale-BNP-Paribas Bank (SBP): If the hostile takeover by Georges Pebereau's Banque Nationale de Paris of newly merged Société Générale-Paribas bank succeeds, this new French giant will become the world's largest bank, with total assets of more than $1 trillion. Paribas was originally created in 1872 in Belgium, France, Switzerland, and the Netherlands as part of the then-dominant Rothschild banking network. Today, it has become so powerful inside French policy circles that it is called a "state within the state." It owns a major interest in Paul Desmarais's Power Corporation of Canada, a giant financial holding company, via their Belgian COBEPA. Power Corp. includes Charles Bronfman of Seagram's Liquors and Gustavo Cisneros, the shady Venezuelean financier. The French state still holds an 18% share of Paribas, despite its privatization. Claude Bebear, the head of the world's largest insurance group, AXA, is on the Paribas board. Paribas chairman, Michel François-Poncet, is personally close to President Jacques Chirac.

Crédit Agricole-Crédit Lyonnais: One of the largest banks in the world is the semi-state bank of French agriculture, Crédit Agricole. Today, Crédit Agricole is a global bank with only superficial ties to agriculture. Recently, it has taken over Indosuez Bank, and an Asian investment bank, W.I. Carr. Further, indications are that the Jospin government is allowing Crédit Agricole to become the dominant owner of the troubled French state bank, Crédit Lyonnais, when it is privatized later this year. That would create a behemoth of $690 billion in assets. Crédit Agricole also owns 30% of Italy's second largest bank, Bank Intesa, which combined

Banco Ambrosiano Veneto and Cariplo. Crédit Agricole also owns Banco Espirito Santo in Portugal, and the Basque Bankoa group.

ABN-Amro Bank: ABN-Amro is the largest Netherlands bank and one of the most rapidly growing European megabanks, with banks in Hungary (Magyar Hitel Bank), Romania (Ion Tiriac Bank), and France (Banque Demachy and Banque du Phénix). It has a cooperation agreement with Britain's N.M. Rothschild Bank, and recently bought Banco Real in Brazil, as well as banks in the cocaine regions of Colombia. ABN-Amro appears frequently in the Dutch media in scandals involving laundering of illegal narcotics profits; and it is one of the world's most active banks in derivatives trading and currency speculation.

Dresdner Bank: Dresdner Bank, together with Deutsche Bank the dominant power in German banking and industry, has a major presence in the City of London from its investment bank, Dresdner-Kleinwort Benson. Dresdner holds a 10% share in both Allianz Insurance and Munich-Reinsurance. It also owns major shares in Hapag-Lloyd, Bilfinger & Berger, and Continental AG. For several years now, Dresdner and Europe's second-largest insurance giant, Allianz of Munich, have been in a strategic cross-ownership alliance, with Allianz owning 22% of Dresdner. Dresdner is one of the more aggressive derivatives banks in Europe as well. Dresdner and the Paris-based BNP have a strategic partnership in eastern Europe, with 50-50 ownership of banks in Russia (Rossija), BNP-Dresdner Bank Prague, and BNP-KH-Dresdner Bank of Budapest.

Allianz-Munich-Re: The largest shareowner of Dresdner is the largest German insurance giant, Allianz, as noted. Allianz is also the second-largest insurance conglomerate in Europe, controlling RAS insurance of Italy, and the large AGF insurance group in France. The world's largest reinsurance company, Munich-Re and Allianz are fully interlinked, with each owning 25% of the other.

Crédit Suisse: Crédit Suisse, the second-largest Swiss-based bank after UBS, with combined assets of $473 billion, is one of the most aggressive speculation banks in the world. In 1995, its London-based Crédit Suisse First Boston created the Russian GKO state bond scheme, which collapsed when Russia was defaulted in August 1998. Crédit Suisse is known as the "black sheep" of Swiss banking because of scandals involving its dirty-money operations with elements of Italian organized crime (Chiasso Affair), with the Meyer Lansky Syndicate money-launderer Bernie Cornfeld of IOS, and with the heroin money-laundry in Lugano known as "The Pizza Connection." In addition to owning the largest stock brokerage in Brazil and the Mellon Scaife-tied First Boston investment bank in New York, Crédit Suisse merged with the large Winterthur Insurance group.

ING Bank: Holland's second giant bank, with more than $330 billion in assets, is one of the most aggressive currency speculators and an operator in offshore money laundering around the world. ING Bank was selected by the Bank of England to carry out a friendly takeover of Barings Bank, the old bank of the British royal family, after it collapsed in a 1995 derivatives fraud. ING Bank itself is the result of a merger of Nationale Nederland, an oligarchic Dutch insurance group, with the privatized Postal Savings Bank of Holland. Given this reputedly conservative origin, it is notable that ING Bank rapidly built a global network of banks in the offshore money-laundering centers including Curaçao, Netherlands Antilles, where George Soros's Quantum Fund is based. ING also had banks in Bogotá, Montevideo, Hong Kong, Budapest, Luxembourg, and Geneva. ING Bank recently bought 39% control of the German BHF Bank, and in 1998 took over the Banque Bruxelles Lambert in Belgium, giving it major ties to the Franco-Belgian financial oligarchy as well. BBL was a major owner of the now-defunct Drexel Burnham Lambert bank of "junk bond" king Michael Milken in the 1980s. BBL also owns the Geneva-based powerful financial holding group, Pargesa.

The European Industrial Roundtable

Parallel to the growing power of the giant financial groups under free-market globalization, has been the expanded power of giant multinationals. The influence of these global, Europe-based giants is exercised through the little-known group of giant European multinationals, the European Roundtable of Industrialists, based in Brussels.

For example, the controversial Agenda 2000—proposals for radical reform of the EU Common Agriculture Program in the context of the expansion of the EU membership to incorporate Poland, Hungary, the Czech Republic, and other eastern European markets, and changes in internal power within the EU—was largely the result of the behind-the-scenes influence the European Roundtable of Industrialists. The European Roundtable, as it is known, consists of a hand-picked group of only 45 chairmen and chief executive officers of the most influential European companies.

The members of the European Roundtable include the chairmen of St.-Gobain, Lafarge, Total SA, Rhône-Poulenc, Suez-Lyonnais des Eaux, Renault, Nokia, Fried, Krupp, Veba, Siemens, Bayer, Daimler-Chrysler, Bertelsmann, Fiat, Pirelli, Phillips, Akzo Nobel, Unilever, Ericsson AB, Hoffmann-LaRoche, Nestlé, British Telecom, Imperial Chemicals Industries (U.K.), Royal Dutch Shell, Pilkington Ltd., General Electric Co. Ltd., and British Petroleum-Amoco.

Their concentrated power through the European Roundtable, in combination with the transformation of continental European finance into the free-market model over the past decade since the Maastricht summit, threaten to utterly destroy the economic development philosophy which had guided the postwar reconstruction success of Germany and much of Europe until 1990. The secret of their power is their control over the policy of the EU Commission, now run by Tony Blair's friend, Romano Prodi.