

Will Europe decouple from the U.S. dollar?

by Laurent Murawiec

A privately-owned monetary system is already at work in Europe around the European Currency Unit (ECU), the European Community's accounting unit, created in 1978 in the framework of the European Monetary System. At a recent, week-long meeting of German and Soviet bankers held in Tashkent, Uzbekistan, the latter emphatically requested an acceleration of the commercialization and acceptability of the ECU in order "to find an international currency to replace the dollar."

The ECU as an accounting unit has but a bookkeeping existence, on the central accounts of the EEC, the finance ministries and the central banks involved. It has, however, grown beyond this quiet regulated existence to become a commercial entity of its own, as Euro-bond issues as well as bank certificates of deposit have been issued with ECU denomination. From a negligible \$200-300 million worth of issues in 1982, the ECU grew to a volume of \$2.34 billion last year, in 34 distinct Euro-bond issues. This represents a small, but fast-growing 4% share of the international bond market.

The three leading Belgian commercial banks, Brussels-Lambert, Kredietbank and Societé Générale de Banque, have for some time operated on a private basis an ECU clearing system which partly remedies the glaring lack of an "ECU lender of last resort." Since the ECU does not exist from a *sovereign* standpoint—it has no nation-state's wealth or taxing power behind it—the existence of a clearing system gives it a more reliable existence. Many Belgian banks, foreign banks, and their subsidiaries have joined the clearing system, which a technical working group at the Bank for International Settlements in Basel, Switzerland, is now working at bring-

ing under official, central-banking supervision and operation.

In short, as a London merchant banker said, "the market likes the ECU and that's what matters." In the City, Lloyds Bank is the chief ECU operator. But a German think-tanker put this development into perspective when he said that "the European elites have suddenly made up their minds for European unity. U.S. interest rates are tugging the EMS apart. There is an ongoing discussion in Europe concerning the disintegration of the world [financial and monetary] system. Regional autonomy is the logical course of events. Since the United States has increasingly decoupled from its world economic responsibility, the dollar must suffer the consequences."

A London banker commented that "the ECU development has massive political overtones. The United States has lost every war fought outside the Western Hemisphere since World War II, except Korea. It is beating the military retreat world-wide. Financial decoupling will just go along fine with the kind of decoupling discussed by Kissinger, Schlesinger, et al."

Enter Moscow and friends

Were it not for these political-strategic "overtones," the ECU would be dead in the water. It is not a real currency and there is no lender of last resort. Germany's Currency Law prohibits use of any composite currency or indexed basket; Italy has not used ECUs commercially. Yet, the seminar held in Tashkent in the middle of April between high-ranking German bankers and their Soviet counterparts shows what political stakes are being played.

The Banking and Financial Sub-committee of the Joint

German-Soviet Economic Commission brought together Dr. Hans Friderichs, head of the Dresdner Bank, Commerzbank head Walter Seipp, Deutsche Bank rising star Hilmar Kopper, standing in for his chairman F.-W. Christians (who speaks fluent Russian but could not attend), and six other top leaders of German banking. From the Russian side, Foreign Trade Bank head Yuri Ivanov, State Bank deputy chairman Valerii Pekshev, and senior ministerial officials attended. The Russians had specifically requested 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." As the Dresdner Bank commented, "the Russians are highly interested in the use of the ECU, and there are political overtones." So interested is Moscow that the specific request that their German friends speed up the development of a European clearing system was emphatically repeated.

Why should this be so? "The Soviets have displayed a great deal of interest in ECU trading, and their Foreign Trade Bank has been actively involved in market trading in ECUs," said an official at a Soviet-owned bank in Western Europe. "The Russians think like the Europeans on the dollar. The dollar is bouncing up and down, there is political tension between the United States and Europe. You cannot rely on Washington." One participant in the Tashkent meeting commented: "The Russians are interested in helping find a currency to replace the dollar as an international currency. To them, the dollar's role is a problem. They want something to counterbalance the American currency."

Speaking from the University of Louvain, that Belgian-American monetary theorist and undefatigable designer of one-world monetary schemes, Robert Triffin, the man who invented the International Monetary Fund's Special Drawing Right (SDR), explained: "I have been writing this for years: The problems of the relations between the U.S.S.R. and the rest of the world would be altered much for the better if we had an international monetary standard that were independent from the dollar, gold or ECU, but something not steered by the United States. This would facilitate relations with the U.S.S.R. Europe has a privileged role to play in this." Asked whether the common gold basis of the Comecon's transferable ruble and the ECU would make it possible to set up an "interface" between the two, Triffin answered: "but of course!"

Triffin is a chief influence on the supranational European Commission, an adviser to the banks operating the ECU-based private monetary system, and a long-time senior staffer at the IMF. His world-outlook, by his own admission, was shaped by Jesuits and Dominicans, and predominantly by Jesuit philosopher Teilhard de Chardin; he has been tirelessly working for the abolition of the nation-states' sovereign right to issue and master their own credit, and for their replacement by some supranational bureaucratic agency like the Bank for International Settlements. The three Belgian banks involved in clearing ECU transactions are but financial fig leaves for the *Mitteuropa* faction of Central European oligarchs, such

as the Habsburg family, to this day a major influence at the largest of the three, the Société Générale.

The German bankers recently entertained in Tashkent, starting with former liberal Free Democratic Party leader Hans Friderichs, are acting in strict parallel with the politicians currently involved in intensive talks with and trips to Eastern Europe, where the decoupling of Western Europe from the Atlantic world and its *Anschluss* (annexation) to Moscow's Comecon are being discussed.

Documentation

Swiss National Bank officials insisted to EIR in October 1983 (reported in our Oct. 25 issue) that the current strength of the dollar was illusory, and the mass of outstanding dollar debt claims would soon begin to bring the dollar down to the point at which European plans to eliminate the dollar as a reserve currency could be activated, perhaps as early as the beginning of 1984. The daily Neue Zürcher Zeitung, mouthpiece of the Swiss bankers, had discussed this in its Oct. 9-10 issue, in an article entitled "A Parallel European Currency in Sight: Rising Private-Market Interest in the ECU," which we excerpt here.

The expansion of the European Monetary System (EMS) will have to wait for a while, but private use of the European Currency Unit (ECU) in the past three years has shown an almost frantic development. Not only does the basket currency enjoy an increasing status in the currency and capital markets, in certain European Community countries an ever-larger portion of foreign trade is factored in ECUs. In Italy the share is already reported 10-15%.

Although their definition and composition are identical, there is a clear difference between the "private" and "official" ECU. The latter constitutes the basis of the EMS and serves, first, as the numeraire for targeting currency parities; second, to determine the so-called deviation indicator; third, as the accounting unit for payments among the EC central banks; and fourth, as the "payments medium" for the central banks in settling balances arising from currency market intervention.

Alongside this system, and totally outside the central banks' control, there has sprung up a private ECU circuit. Today there already exists a well-developed ECU currency market and an ECU capital market, where bond issues have occurred almost weekly for quite a while. In 1981, ECU issues were \$236.1 million, a year later \$823.4 million, and in the first five months of 1983 already \$823 million. According to John van Schil, treasurer of the EC's European Investment Bank (EIB) in Luxembourg, there are no limits to the use of the basket currency in the private markets. The principality already offers savings accounts in ECU, and ECU travelers' checks are only a matter of time. . . .