

International Credit by William Engdahl

Brussels opens new door to the East

Some strange maneuvering seems to under lie the recent moves by the European Commission.

On May 22, the new European Community Commissioner for External Relations, Frans Andriessen, unveiled an EC proposal to incorporate the Luxembourg-based European Investment Bank (EIB) as a major vehicle to provide cheap loans to East European governments, including ultimately Russia's. The EIB is an obscure part of the supranational bureaucracy of Europe. Historically it has financed the European Community's Common Agriculture Program and select credits to "special countries which have long-standing ties to specific EC countries" such as Algeria.

According to senior Brussels civil servants (*whose* servants, in that political miasma, is not always clear), the Andriessen proposal is the brainchild of EC Commission President and "Europe 1992" promoter Jacques Delors. The problem is that no one in Brussels seems to want to discuss the scheme, in the wake of Andriessen's May 22 press announcement. This piqued my interest in pursuing the matter further. If, in this age of *glasnost* and *perestroika* in the East, we don't find "openness" in the Western European Community, what is going on?

It seems that the EIB scheme is a well thought-out plan. It won't be played up publicly probably for a little while, especially after Thatcher's British government yelled that it was highly unenamored of the idea of using Brussels ECUs to "bail out the East bloc," as one informed London banker put it.

For the EIB to be used in such an extraordinary manner for loans outside the 12-nation group requires a unanimous vote of the 12 govern-

ments, one of the few decisions which still does in these days of "majority rule" in Europe. So it is unlikely that the plan will go much further than some heated debate at the upcoming heads of state EC summit later in June in Madrid. But that by no means indicates that the plan is a fatuous flight of fancy. I found that the scheme is being backed by one government in particular, West Germany. As a Dutch businessman active in East European business told me, "The Germans are the ones with the huge balance of payments problem. They must find a place to invest this growing surplus. East Europe is their clear choice by all indications."

Perhaps since London and New York have denied Third World investment markets since 1982 for German industry, the only "out" they are being given in the emerging "New Yalta" of Kissinger and Bush is investing "East."

Now, this would fit nicely with German Foreign Minister Genscher's "Common European House" echoes of Gorbachov. By running the funds through the EC's EIB bank, it could diffuse the source from any prying eyes. And it would give the hungry bureaucrats of the New Europe even more power to dispense funds, something they seem to enjoy.

According to Brussels-based EC watchers, there is something quite significant in the works. A senior EC spokesman involved in the East-West relations told me that EC "bilateral" talks with Poland are moving rapidly. The EC already has agreed to give "Most Favored Nation" trade status to Poland. This is also the agenda of the Bonn government, which has been

funneling significant sums into Poland in recent weeks to stabilize that explosive situation.

Last January, the EC struck a special accord with Hungary for a 10-year trade and economic treaty. "Hungary is heavily over-indebted," a Vienna banker specializing in East bloc finance confided. "With the EC, Hungary enjoys a privileged status. The head of the National Bank of Hungary was in Strasbourg recently and gave a speech on the ECU, noting that Hungary conducts 25% of its European trade in ECUs. The Hungarians are very shrewd." The ECU is the weighted "average" of the national currencies of the EC member countries which some, such as Delors and German ex-Chancellor Helmut Schmidt, would like to turn into the new European supranational currency.

The barbed wire borders between Communist Hungary and Austria are already in the process of being taken down. According to City of London banking insiders, there is a grand strategy lurking behind Brussels' new overtures to the East. "They are looking 10 years ahead, to the convertibility of the Russian ruble in Western Europe. The evolution of the EC's 1992 market is moving parallel with this, leaving the 'door' open for Eastern Europe. Brussels is debating future entry of Hungary into the EC. The idea is to use Hungary as a 'bridge between East and West Europe.' "

The Hungarian florint would be made convertible to the West European ECU. At the same time the florint would be convertible with the ruble of Moscow. This would be the "back door" for Russian currency to set a stable "market" rate with Western Europe. Moscow is playing a calculated game with this East European trade "liberalization." It seems that the Brussels bureaucracy is rushing headlong to be dealt in.