

while it is holding the presidency, so that Bonn remains the focus for future EC-Comecon developments.”

According to these reports, this desire of Bonn, especially Foreign Minister Hans-Dietrich Genscher, was the real reason Dresdner Bank and four other West German banks rushed approval for a DM500 million Soviet sovereign bond issue for the Moscow Bank for Foreign Trade (Vneshtorg). “Moscow saw that Bonn was eager to get the agreement before June, so they pressured them to add the new financing as a ‘sweetener.’ Just after that, they dropped their demands over Berlin, insuring the accord.”

In Brussels, there is also speculation that the unusual DM3.5 billion letter of credit given by Deutsche Bank in early May for “consumer” needs of the Soviet Union, was cheap credit to finance an emergency Soviet import of meat, grain, and other foodstuffs over the coming weeks, agreed to for the same reasons as the new bond financing. According to reports in Bonn and Brussels, these imports would be used by Gorbachov in his internal factional battles to improve food shortages for consumers, and ease popular discontent against his *perestroika* prior to the June All-Union Party Plenum.

The EC-Comecon talks were initiated in the late 1970s by Moscow, when Moscow and the Comecon demanded comprehensive mutual trade accords between the two regional organizations. Those talks broke off after the Russians invaded Afghanistan in 1979. “The new talks are very different,” an EC official noted. “The Comecon initiated a new draft which excludes trade policy; they have significantly reduced their ambitions.”

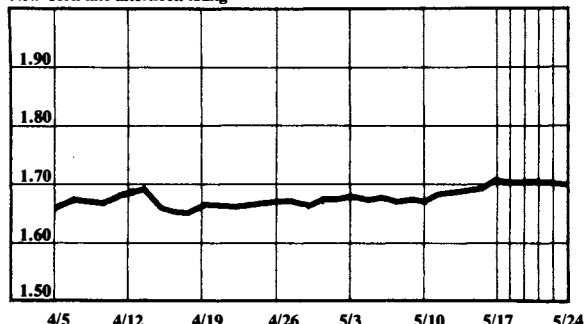
Some informed Europeans see an ominous potential in the closer ties, even if only symbolic and diplomatic, between East and West Europe. Sir Jimmy Goldsmith, the Paris-based financier and publisher of *L'Express* weekly, recently warned of the real issue underlying increased dialogue between East and West Europe. Alarmed at the medium-term implications of a U.S. troop pullout from West Germany, Goldsmith foresees that Moscow will profit from the resulting vacuum: “Their strength is military. If they are able to form a New Europe, decoupled from the United States, then they have a chance of using their military superiority to gain economic strength before their own society decomposes. They would contribute their military power to the New Europe. Western Europe would contribute its industrial and financial infrastructure.”

Under these conditions, says Goldsmith, “the Soviet bloc would be perceived as a privileged marketplace for West Europe’s goods, which would relieve its economic pain.” Goldsmith criticized calls from French ex-President Valery Giscard d’Estaing and Italian financier Carlo De Benedetti for a Marshall Plan for the East, recently editorially endorsed by the influential Paris daily *Le Monde*. Western Europeans, worries Goldsmith, “can read the Iklé report on *Discriminate Deterrence* and receive confirmation that a commitment to the defense of Western Europe is no longer a top U.S. priority.”

Currency Rates

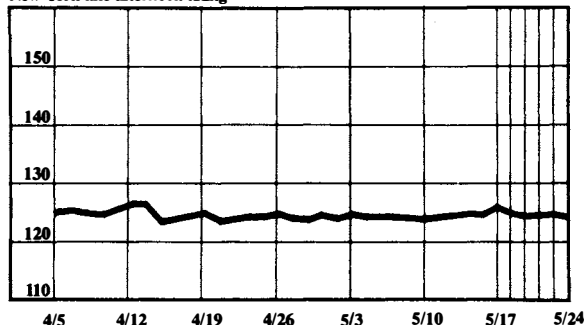
The dollar in deutschemarks

New York late afternoon fixing



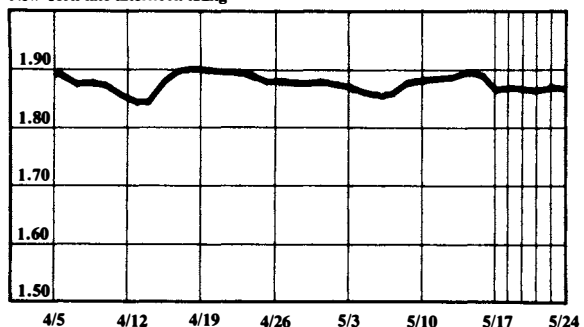
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

