EC summit paralyzed by Thatcher, IMF

by Paolo Raimondi

French President François Mitterrand, addressing over a thousand European industrialists in Paris on Nov. 15, touched the real issue determining today's revolutionary events in Europe, when he stated that "at the moment where the centralized economic systems are in the process of collapse, we can contribute to help entire peoples to build their present and future, between unworkable collectivism and wild liberalism. . . . In the transition which is beginning in the East, an economy of the *third type*, based on mutuality, cooperation, and associative life, will bring a human response adapted to needed."

Mitterrand invited the businessmen to establish joint ventures on an equal basis with partners from Poland, Hungary, the Soviet Union, and East Germany.

Just before this speech, Mitterrand had announced his intention to organize Western European governments to support the formation of a "European Bank for the Modernization and Development of the East" powerful enough to finance "great projects" which could not be sustained by any single European nation acting on its own. Mitterrand's "Development Bank" plan included the creation of a board of directors consisting of representatives from the governments of the European Community and the four abovementioned Eastern countries. The bank would jointly define a list of projects, and would begin with a capital base of 10 billion European Currency Units, to be collected from the EC governments, proportional to their gross national products, and through a new bond issued by the bank.

The realization of an industrial plan to promote large-scale investment in infrastructure and agriculture would surely revive the mood of economic growth in Western Europe, and would put Western Europe in a position to firmly deal with the revolutionary developments in the East. The question which remains to be answered, is the concrete meaning Europe will give to the notion of "third type" of economic model.

It is clear to everybody who has an idea of the implications of the collapse of the so-called "free market economy" in the United States in particular, that the International Monetary Fund (IMF) and its "conditionalities" policy have no place in a serious program for the revival of the *physical economy*. It is exactly the persisting confusion on this point that led to paralysis of the emergency EC heads of state summit organized in Paris on Nov. 20 to discuss Eastern Europe. High on words and low on concrete action, the summit represented a setback and, at the very least, a dangerous loss of time in relation to the timetable for those European economic and monetary reforms urgently needed to face the global economic challenges.

Thatcher loves Gorbachov

Contrary to the stories spread by the media about the "newly found unity" summit, British Prime Minister Margaret Thatcher managed to sabotage both the conference and the more serious economic initiatives like the new European Bank. Mrs. Thatcher publicly declared that "this bank is for the much longer term," and, in private comments, she went further, dismissing this initiative entirely.

Thatcher reportedly told EC leaders that no ambitious aid programs for the East bloc should be set in motion, since this would be "destabilizing" for Mikhail Gorbachov. Her obsessive defense of the free market economy, despite the bankrupt condition of the United Kingdom itself, nevertheless still strongly affects the other European heads of state, whose own records of economic performance so far have not been much to speak of.

Typical of this problem was Mitterrand's own emphasis, in speaking about economic aid for Poland and Hungary, that "for both countries, everything will pass through an initial agreement with the IMF. This is why the IMF must act quickly. The EC will insist to the IMF that the agreements be finalized before the end of 1989."

Exactly the same line was repeated at the summit by Jacques Delors, the president of the EC Commission, who recently traveled to Hungary and Poland in order to assess the situation first-hand. "First the deal with the IMF, and then everything else will follow," he said, forgetting that the IMF demands have added economic disaster to a catastrophic 40 years of Soviet and Communist domination, and failing to realize that the Polish Solidarnosc government is running out of time in the race against total economic chaos and general hunger.

At the EC summit, the European Bank project was handed over to a special commission consisting of France, Ireland, and Spain, for further "study." On Dec. 8-9 the EC heads of states will reconvene again, this time with the aim of discussing global reforms in the functioning of the European Community, to speed up the monetary and economic unity. The intention is to reach a consensus to change the EC statute in such a way that Thatcher's Great Britain could not use its discretionary veto to sabotage any decision, particularly the few good ones, by the European Community.

But with or without Thatcher, the real question will remain whether the leaders of Europe want to learn the lessons of the failure of the policies of "wild liberalism" of the free market, and decide instead to go back to a genuine industrial and technological economy.