

“I Doubt The Saudis Will Give The IMF \$15 Billion”

A Philadelphia-based Mideast analyst commented in an interview this week:

I doubt that the Saudis will fork out \$15 billion to the IMF. The only conceivable way that the Saudis would give that kind of money is if the IMF were to convince them that the large private banks that hold huge Saudi portfolios were in serious jeopardy as a result of being overextended in handling Third World debt. If these most seriously affected Third World countries were unable to

pay their debts to those banks, and the Saudis were made to realize the needs of refinancing the debt through the IMF, then they might come through with funds. But even then I would be surprised. I would say that if Saudi Arabia were to make that kind of contribution to the IMF, it would, more than anything else, indicate just how unstable the banks are.

Basically, the Saudis are very reluctant to internationalize their funds. There's so much risk involved. The recent riots in Cairo shook both Saudi Arabia and Kuwait hard enough to get them to hand over \$1 billion, but if they keep getting pressured to recycle more and more of their petrodollars for debt servicing, then the Saudis will have to let Sadat go.

N.Y. Banks Press For Commodity Price Hikes To Aid 3rd World Debt Repayment

The U.S. State Department and the Chase Manhattan group of international banks are engaged in a two-front operation to jack up international primary commodity prices to augment Third World nations' revenue for debt repayment. While the State Department is pressing for adoption of a \$6 billion “common fund” to finance raw materials buffer stocks at the current Geneva meetings of the United Nations Conference on Trade and Development (UNCTAD), the New York banks have financed a wave of speculative activity on the commodity markets, fueling a 6 percent increase during the first six months of 1977 in the U.S. index of sensitive raw materials (an annual inflation rate of 50 percent).

The Callaghan government of Great Britain has intervened to prick the speculative price bubble. On March 10, British officials raised the margin requirement for big speculators on the cocoa exchange more than twenty-fold, forcing a selling wave that spread to coffee futures and other commodity trading.

A Common Fund For Whom?

The UNCTAD meeting, on the other hand, has thus far left the door open to the common fund proposal. A March 8 conference of European Economic Community foreign ministers agreed to wait for the U.S. position on the buffer financing scheme, according to preliminary reports. West German Foreign Minister Hans-Dietrich Genscher urged that the EEC not “present the U.S. with any *faits accomplis*” in the direction of earlier EEC opposition to the plan, because this would deprive Europe of future influence on the Carter Administration. The West German cabinet had unequivocally opposed the UNCTAD proposal.

In turn, the U.S. State Department's official position had also been one of opposition; the *Wall Street Journal* reported March 11 that Washington is now grudgingly “prepared to participate in negotiations on a common fund.” A confidential study prepared by Vance's department, however, actively promotes the plan.

By contrast, the Soviet Union's delegation, which had

previously supported the UNCTAD proposal, has announced that it will reject the program in current negotiations, on the ground that no one stands to benefit but “multinational companies.”

The Soviet reference to multinational represents an oblique attack on UNCTAD proposals to use “buffer stock” funds to finance projects to “diversify” the economies of primary producers in the Third World. This aspect of the UNCTAD program could be a lead-in to a revival of Henry Kissinger's International Resources Bank (IRB) blueprint, rejected on all sides in 1976, for centralized investment in Third World extractive industries. UNCTAD, like the IRB, would borrow on international markets to invest in industrially regressive, labor-intensive projects.

The State Department-banking push in the commodities sphere began in earnest when European negotiations with the USSR on the international use of the transferable ruble bogged down two weeks ago due to fears in sections of the Soviet leadership of antagonizing Washington. With the pro-development, anti-dollar Western European factions apparently on the defensive and thus more open to being browbeaten into agreement on a plan that would gravely compound their existing oil-payments burden, the U.S. is expecting to use the price hike arrangement as a “concession” to the Third World in exchange for indefinite stonewalling on the debt question.

The UNCTAD proposal, one of several spinoffs of 1970s Brookings Institution scenarios for U.S. raw materials control, enjoys relative credibility as “pro-Third World,” a point emphasized in the London *Economist's* recent endorsement of the plan. Even those Third World countries most oriented toward technological development can be manipulated on the bases that they need higher short-term commodity earnings to help that development take off, although in practice the earnings are slated to be creamed off to debt payment. In 1976, the International Monetary Fund already lent \$2.7 billion to

Third World Countries for commodity buffer financing — almost as much as the first installment of the UNCTAD plan.

The UNCTAD plan's total \$6 billion remains tiny in proportion both to the volume of world commodity trade and the level of what the March 6 *New York Times* referred to as "bailout" operations required to keep the multibillion-dollar Third World debt to New York banks rolled over. Yet, taken as a whole, the commodities offensive represents the essence of the Carter Administration's international economic approach. In the short run, the rise in raw materials prices facilitates debt servicing; in a March 8 feature on Brazil, the *New York Times* expressed "I told you so" triumph at the trebling of Brazil's coffee income to \$4 billion, more than the country pays for imports, and enough to avert a debt default, as quotations from relieved Citibank lending officers underline.

This short-term bailout of the banks at the expense of commodity consumers is, according to the Brookings scenario, supposed to be politically bolstered by the buffer-stock funds, which would throw a monkey wrench into ongoing negotiations between the oil producers, the other underdeveloped countries and Western European groups. Rather than exchanging raw materials for advanced technology and expanding the present trend toward joint "North-South" ventures in advanced methods of augmenting raw materials supplies (oil exploration, capital-intensive mining, and agricultural upgrading), European — and American — industry would be taxed first to fund the buffer stocks and then to pay increased commodity costs, cramping their investment ability.

The scenario's progression toward full-scale U.S. control of world resources, involving some version of the International Resources Bank, is presented *in parvo* by Agriculture Secretary Bob Bergland's proposal last week that the U.S. and Canada form a wheat "cartel" that could use its command of 75 percent of world wheat production against the food-importing OPEC countries, a proposal for food war identified and rejected as such by the Western European press across the board.

The Cocoa Bear Hug

Phase I of this Carter offensive — the speculative market increase in commodity prices financed, according to well-informed mining industry sources, by New York banks — has already touched off a counteroffensive, since its implications for shutting down industry and consumption on the model of the oil and coffee price rigs respectively are so plain.

Already on the agenda for British Prime Minister Callaghan's current visit to Washington were the Carter administration's attempts to sabotage Western European technological breakthroughs and technology transfers to the Third World, as in the case of the Concorde issue and the West German supply of nuclear technology to Brazil. After timely consultation between government authorities and cocoa exchange overseers, the margin increase was announced, with rumors of antispeculative action having already driven down cocoa prices March 9. "Margins" are the amount of good-faith money that large operators must put up in order to stay in the mar-

ket; the 1000 percent increase effective March 14 means that speculators holding more than 100 contracts, instead of paying a \$500 margin per 10-ton contract will have to pay £10,000."

The cocoa selloff in London spread, not only to New York, where March futures contracts dropped about 32 cents a pound, but to coffee futures, partly because of fears that similar action might be taken in the coffee exchange, and partly because traders who were unable to liquidate their cocoa holdings to finance the new margin levels had to liquidate their contracts in other commodities. London is the pace-setting market for coffee and cocoa. Grains and soybeans, as well as precious metals and copper, however, were also hit by a volatile downward price wave, which analysts related to the cocoa situation. This effect was described by Bache, Halsey Stuart as "cleaning up the market." The cocoa selloff was also originally aggravated by reports that London exchange officials were investigating the possibility that large speculative positions were being held by a few traders, viz. directly or indirectly by the Chase Manhattan group.

"The Commodities Boom Would Only Help Chase"

London Economist, March 5, "Finance For Commodities":

"...the betting in Geneva is now odds-on that a fund will emerge — and that it will include the Americans, and so doubtless the British and Germans... the other choices available — indiscriminate debt relief are the only ones that count — reek of economic nonsense. That is one side of the political equation. The other is that UNCTAD has finally learned, and applied, the first rule of a successful lobby: make a proposition that has something in it for both sides... the poor see a common fund as the key to advance.

...No buffer scheme will be easy to run. The one sort of scheme that can be guaranteed to fail would be one that can take life easily at first because it imagines it has an ever-flowing cornucopia of other people's dollars to finance it. If individual buffer schemes do not involve self-discipline, one day they will crash..."

Chief economist, one of world's leading metals mining enterprises; London; March 10: "The commodities boom would only help Chase if it stuck. The real question is whether supplies can be withheld. This is going on to some extent with coffee and tea, but less so with metals. There is also the question of whether the United Steel Workers will strike. We're very dubious about the chances for success of the UNCTAD plan. We hope everyone draws back in horror from Bergland's wheat cartel proposal."

Chief commodity trader, New York brokerage house, March 10: "The bull market is entirely a product of U.S. rumors. Last week's rise in the producer price of copper and lead also helped. But there's no shortage of metals in Third World countries. They all may want prices to go

up, but they're not getting any credit. So Zambia is selling copper at £150 per ton under the cost of production. The U.S. banks will never get the buffer stocks scheme off the ground. What they have to think about is, what happens when you sell?

Senior official, London merchant, London, March 10: "Your scenario (EIR's) makes sense — but it is entirely insane for the banks to attempt this. Ninety percent of new money coming into the market is speculative, and it's an extremely thin market. It's a highly dangerous bankers' game, and without final sales it won't work."

Commodities specialist, Ford Foundation, March 10:

"The common fund is a bailout for the banks, Christ, yes, that's all it is. If we're giving foreign aid we should do it straight... with a general recession in the wings, it looks bleak for big stockpiles and commodity futures in general."

Metal commodities specialist, Charles River Associates, Cambridge, Mass., March 10: "We have been deluged with calls from New York banks wanting information on commodities forecasts and future markets. Yes, this has something to do with the possibility of LDC (less-developed country) debt repayment in the second quarter if commodity prices rise, and also the banks are interested in speculation as a hedge for their money..."

'Common Fools' Prepare Way For World War III

by Lyndon H. LaRouche, Jr.

Of this week's so-called "Common Funds" negotiation in Geneva, it is best said that a man who flees from military service out of cowardice may, for reason of the same existentialist emotion, commit suicide in his flight from the consequent shame.

It would be impossible to find words to overstate the stupidity and cowardice of those governments which are seriously disposed to adopt the proposed \$3 billion introductory version of the Brookings Institution's Schachtian "International Resources Bank" swindle. Since we thus lack use of words monstrous enough to fully encompass the imbecilic cupidities of such governments, we must content ourselves with the milder epithet of "common fools."

There will be a conspicuous absence among the deluded ones seriously deliberating this proposal. The biggest fool of them all, the individual who has lately contributed the most to fostering the current showing of imbecilic cowardice among European and developing-sector governments, Leonid "Neville Chamberlain" Brezhnev, will not be represented. Certainly, if Brezhnev is as seriously committed to preventing war as he professes to be, he must be considered the greatest fool of 1977 to date. Indeed, he is competing with the 1938 Neville Chamberlain for the rank of the greatest ass in 20th century history.

In the wake of the Jan. 20 inauguration of Rockefeller-puppet Jimmy Carter and the present Trilateral U.S. Executive Branch, Brezhnev made a "secret" agreement with the Carter Administration. Under this agreement, Brezhnev agreed to sell out Western Europe and the developing sector in return for the Carter Administration's immediate agreement to a stripped-down, less-than-worthless version of "SALT II." As a result, moves toward a convertible transferable-ruble agreement, already at the point of implementation, were aborted by Brezhnev et al. An astonished Andreotti government in Italy, like many governments of the Third World, found itself abandoned to the Rockefeller wolves.

It is that imbecility by Brezhnev which has turned even moderately courageous Western European and develop-

ing-sector governments into sniveling cowards. It is that cowardice which makes possible the degraded spectacle now projected for Geneva around the "Common Fund."

Despite the lies published in Pravda and elsewhere by Rockefeller agent Georgii Arbatov and Arbatov's cronies, Brezhnev is operating on the knowledge that the Rockefeller puppet administration of Jimmy Carter is committed to an *operational* policy of escalating confrontation with the Soviet leadership itself. The gist of the Brezhnev policy of the moment is a misguided, frankly imbecilic, attempt to "buy time" for further Soviet military preparations by steps intended to placate the Rockefeller-Carter monster. (It should, by no means, be imagined, that the Soviet leadership believes the evaluation of Carter published in Pravda, Izvestia and so forth under the bylines of Arbatov et al.) Certain circles close to Brezhnev foolishly view the present Brezhnev tactic as analogous to the Hitler-Stalin pact. Brezhnev's conduct is not modeled upon Stalin, but, as we have already stated, the unfortunate Neville Chamberlain of 1938.

In the name of avoiding war, Brezhnev — like Neville Chamberlain before him — avoids those confrontations which are indispensable to prevent war. At many points in history, it has been such professed "pacifists" who have proven themselves the most effective promoters of avoidable wars. If Western Europe and the developing sector are forced to submit to Rockefeller's desperate monetary "reforms," that fact by itself creates the conditions which makes World War III inevitable — possibly even within 1977.

First, now, we summarize the essential background to the "Common Fund" swindle. That clarified, we then prove on that basis why Brezhnev deserves to be awarded *The Order of the Tattered Umbrella*.

The Legacy of Versailles

To make the direct connection a short one, it is no exaggeration to state that the Brookings Institution's schemes, the "International Resources Bank" and its introductory version, the "Common Fund," have been designed by exactly the same Wall Street, Rockefeller-headed factions which imposed Adolf Hitler upon Germany. Not only are the factional alignments of authorship identical, but the philosophy behind the Nazi regime