London Has 'Back-Door' Plan To Replace Dollar With SDR

London and its allies in the International Monetary Fund have focused on the Third World in their attempt to have the dollar replaced by the SDR as the world's major trading currency.

As is widely known by now, British Chancellor of the Exchequer Denis Healey's big push at the April 29-30 Mexico City IMF meeting to have the industrialized nations substitute their central bank holdings of excess dollars with the SDR funny-money was soundly rejected by countries who knew what devastation that would mean for the dollar and the global economy.

BANKING

High-level sources confirm that London is now taking a back-door approach to the same operation. The plan is as follows: the Fund will soon offer a new round of SDR-denominated loans to select Third World countries. These loans would allow the debtor nations to artificially hike their "book" accounting currency reserves; the SDRs could then, according to London, be exchanged with other central banks for hard currencies to finance trade.

The same sources stress that Treasury Secretary W. Michael Blumenthal fully supports this plan despite the fact that it clearly represents a "foot-in-the-door" for implementation of London's full, anti-dollar SDR strategy.

The sources also warned, in this context, of the future implementation of a compromise proposal pushed by England at the Mexico City meeting to simply increase all countries' book accounts of SDR holdings at the IMF (i.e., without exchanging them for dollars). This proposal, which was passed by the meeting in principle, would give the IMF the needed SDR funds to go ahead with the cited Third World lending push. (U.S. Treasury officials estimate current "liquid" IMF holdings of SDRs at a low 9 billion.)

However, U.S. Treasury officials pointed out in interviews May 17 that the compromise book accounting formula was not very popular among IMF members, and that like so many other IMF proposals was passed with the understanding that it will now be kicked around for months by members governments, and that only a major fight would get the proposal into the implementation phase.

Target U.S. Banks

At the same time, the IMF Third World lending push is intentionally targeting U.S. and European commercial banks, the traditional "hard-currency" lenders to the Third World. The commercial banking system is acutely aware that unless some form of debt reorganization is undertaken in the Third World, they face the prospect of massive defaults at virtually any time.

British forces at the IMF are desperate to cut off certain commercial banks, New York's Citibank being one example, which are responding to this crisis by organizing limited debt rescheduling and new loans to Third World countries independently. Similarly, meetings were recently held in Bonn, West Germany between European bankers and representatives of the Turkish government to discuss freezing of Turkey's $14 billion in West Germany-held debt, to allow for a new series of loans.

These same commercial banks, however, are still operating wholly within the framework of the IMF — the institution which is bent toward their destruction. One New York commercial banking spokesman, for example, reported that a private debt rescheduling scheme is currently being considered for a major Latin-American country — but that the IMF will be brought in as a participant to any future loans.

London is, in part, taking advantage of the panic in the commercial banking community in Europe and the U.S. over their past lending operations into the developing sector. This is a panic for which the IMF is largely responsible: As a direct result of the brutal austerity conditions which the Fund has imposed on most developing nations, those nations' industries and working populations have collapsed — making these impoverished countries incapable of paying the commercial bank debts. Now ironically the IMF is willing to issue "no-austerity-conditions" loans...but only in SDRs.