There Are No Human Rights Under The IMF

Why the IMF must be replaced with a new world monetary system

This statement was released on Aug. 10 in New York City by the U.S. Labor Party and its cothinker organizations, the European Labor Party and the Mexican Labor Party.

We hereby call on the leaders of the developing countries to immediately avert the genocide which threatens their nations. The International Monetary Fund has in recent weeks begun a campaign, more brutal than ever before, to commit open genocide. The IMF's infamous conditions for debt-refinancing credits are threatening to turn numerous countries in the Caribbean, Latin America, Asia, and Africa into regions where hundreds of thousands of human beings will be exterminated through famine, epidemics, and catastrophes.

Whenever an IMF delegation speaks of "currency devaluations" and "halting imports," the correct phrase ought to be substituted: "mass murder."

If President Carter is really serious about his fight for human rights he must immediately break with the IMF, because this institution's so-called conditions can be met only by dictatorial regimes modeled on that of Chile. The IMF's conditions are destroying the sovereignty of every nation forced to submit to them; they are destroying not only the right to economic development and technological progress, but are also destroying these countries' political sovereignty. How many governments of developing countries have in recent years been forced to "reconstruct" their governments and throw out their best leaders, because IMF delegations have made this into a "condition"?

The developing countries must *immediately* break with the IMF (and the World Bank, and the "Brandt commission"), because this institution represents the most exposed flank of those forces which want to eternally maintain the world in a state of backward feudalism in which they, a small elite, can rule the world. The IMF is only one of the financial instruments wielded by the international Black Guelph conspiracy, all of whose members belong to one or more of the following organizations: The **Venerable Military and Hospitaler Knights of St. John of Jerusalem** (based in London); the **Sovereign Military and Hospitaler Knights of St. John of Jerusalem** (its "black nobility" faction based in Rome); the **Knights of St. John of Jerusalem** (based in the U.S. and Canada), the **Jerusalem Foundation** (the alliance's Jewish branch).

Members of these secret organizations control not only the majority of the banks involved in the Euromarket — especially in Great Britain, Switzerland, and Canada — but also control international organized crime, the drug trade, part of the alcohol market, and prostitution. They are the kind of people who are willing to turn the youth of entire nations into drug addicts if this will maintain their power. They are the people who not only created the Nazi ideology for use in a Nazified Germany, but who also consider themselves to be a "master race."

For them, the over 2 billion people inhabiting the developing countries are not human beings, but so many superfluous eaters, who are useful only so long as they remain physically capable of being exploited. They are the people who drew up the special study "Europe 2000," in which they openly demand that by the turn of this century the world's population must be reduced to 1 billion people.

It is these same criminals who are spreading the rumor among the developing countries that nothing has changed in the industrialized countries since the 1976 conference of Nonaligned countries in Colombo.

Contrary to the situation in August 1976, today all the conditions exist for a full break with the IMF.

On the initiative of West German Chancellor Helmut Schmidt and French President Giscard d'Estaing at the Bremen European Community Summit meeting, the European Monetary Fund was launched — an institution whose concept can be traced back to a proposal made by Lyndon LaRouche, chairman of the U.S. Labor Party. Just as LaRouche had proposed in 1975 with his concept of the International Development Bank, the initial $50 billion alloted to the EMF will not be used for debt refinancing programs, but rather will be exclusively used towards the export of advanced technology into the developing countries.

When the Arab Monetary Fund is integrated this

September with the EMF (with the Japanese pulled in as well), this new monetary system will have at its disposal capital deposits of about $350 billion, and can completely replace the IMF. The stated policy of Japan, France, and West Germany is to pursue a Grand Design policy — which means using their own countries' technological and economic potential for the development of the world as a whole, in the tradition of the Ionian citybuilders, Plato, and Leibniz.

The countries of Europe, with the exception of Great Britain, will act along with Japan to use the new monetary system's capital to finance long-term, low-interest credits, so as to realize giant development projects on the basis of nuclear technology in Africa, Asia and Latin America.

The next phase of the Grand Design will be the export of "nuplex cities." This means that by using the developed countries' technology, completely new cities and industrial complexes supplied by nuclear plants — nuplexes — can be built in any desired location in the developing countries. Even with the currently existing technologies it is easily possible to transform entire deserts into rich and productive farmland through irrigation and desalination systems.

Once the East bloc countries are integrated into these development projects — and the groundwork for this has already been laid by the historic May 1978 treaty between Soviet President Brezhnev and Chancellor Schmidt — the world will also have a solid basis for a real detente policy, whose foundation is worldwide development. Relations between the nations of this world will then no longer be dominated by the discredited ideas of Henry Kissinger and of similar spheres of influence. The world will be founded upon a system of independent, sovereign humanist republics.

Once the obligation to provide for technological and cultural progress becomes not only an internal criterion for each country, but also the criterion for relations between countries, then the continuous improvement which progress brings with it will very quickly teach human beings to esteem their fellow man for that which makes him uniquely human: his ability repeatedly to contribute, through creative labor, to the improvement of the situation of society as a whole. Technological progress is the sole guarantee that all forms of discrimination can cease to exist in the near future.

If those leaders of the developing countries who are conscious of their responsibility act now to initiate decisive steps towards integration into the European Monetary Fund, then the world will be led out of its greatest crisis and we will enter into an age of the actual realization of human rights.

If at that point the Knights of St. John of Jerusalem and their IMF apostles still wish to cling to their own policies, we will generously provide them with a little homeland — Liecthenstein, perhaps — which can then be subjected to IMF conditions.

1. The IMF takes over in the Caribbean

Both Guyana and Jamaica have been forced to adopt severe austerity measures which threaten economic activity as a whole, and the very lives of the populations. Through final agreements reached this summer, both nations have effectively turned their economies over to the IMF.

Since Jamaica and Guyana both have relatively small economies with little industrial activity, the focus of the IMF agreements has been to force these countries to "generate funds" primarily by direct cuts in the consumption levels of the population. In fact, the official IMF press release announcing the Jamaican agreement, issued on June 12, stated that the government must make "a major effort to reduce consumption as a proportion of gross domestic product."

Jamaica

In the first week of June 1978 the International Monetary Fund assumed day-to-day control of the Jamaican economy. The Jamaican Finance Ministry must submit a daily report on "the basis of four performance criteria" to an IMF monitoring unit in the Bank of Jamaica and send a full weekly report to IMF headquarters in Washington, D.C.

This violation of the principle of national sovereignty was only one IMF condition for a three-year, $200 million loan to Jamaica. Jamaican Finance Minister Bell called the overall IMF package "a shock to society . . . living standards will fall."

Food and Labor Policy. The IMF demands a 47 percent devaluation of Jamaica's currency. As a result, prices of basic items, including oil and food, which are nearly all imported, rose by 50 percent immediately. The currency will be devalued throughout 1978 by another 15 percent, while wage increases are limited to 15 percent, including benefits — not even one-third of the immediate jump in prices — for a two-year period.

Guyana

On Aug. 5, Guyana's Prime Minister Forbes Burnham announced that similar austerity conditions were required, in return for a loan of only $18.75 million.

Along with the economic conditions, the IMF has demanded further government purges in Guyana. A major cabinet shuffle and dumping of secondary level ministerial posts was announced simultaneously with the IMF package, in the second phase of government shake-up this year.

The first phase occurred in February when Foreign Minister Frederick Wills, a key international figure in the Non-Aligned Movement's battle for development, was forced to resign.

Food Policy. The latest round of cutbacks comes on top of an already devastated economy. 1977 was *already* officially dubbed the "Year of Austerity" by the U.S. Commerce Department. Last year, the budget was slashed by 30 percent, a planned development program stalled with capital expenditures cut by 60 percent, government subsidies of basic items halved, wage limits imposed, and all "non-essential" imports prohibited or severely limited — in order to "save" foreign exchange. Those measures have already created severe shortages of basic commodities — eggs, chicken, milk, margarine, soap, etc. — throughout this past spring.

Now Prime Minister Burnham is forced to announce to the population that the Fund is demanding Guyana cut imports by a minimum of 10 percent more this year — even though nothing but the most vital items are still imported — in order to cut its trade deficit by more than half. A 17 percent increase in exports has been stipulated. The government monetary reserves must rise by a specified amount, but credit for the public sector, which comprises 80 percent of the Guyanese economy, is severely restricted, and ceilings on foreign borrowing precisely detailed. State companies, without the money for new investment, must nearly double their profits within the year — through price rises, wage slashing, and "productivity" gains. The price of sugar was immediately *doubled* as part of this plan.

Agriculture. At the same time Guyana is being forced to become a Maoist agricultural nightmare. The World Bank is moving in tandem with the IMF to direct Guyana to meet its debt through the export of food. A "Redeployment Program," financed by the World Bank, has already begun to force thousands of "unproductive" government bureaucrats out into the fields to boost the agricultural drive. At the same time, the government has launched a "backyard production" campaign to get everyone to grow food on any available spot of land to replace the food once imported or now exported.

Services. Ecological holocaust is threatened as the nation's electrical supply promises to completely collapse if worn-out generating equipment is not replaced. Periodic power shortages and blackouts of several days' length began in April in the capital of Guyana, which in turn caused severe water shortages as electrical pumps failed in the midst of a drought. Hospital equipment failed, food spoiled, and transport was paralyzed as electrically-run gas pumps stopped. An engineering error in the attempt to rapidly return water service to the population resulted in salt water flowing through the taps.

2. How the Fund is destroying Peru

After almost three years of off-and-on negotiations and steadily intensifying levels of austerity, Peru reached a settlement with the IMF last month, subject to IMF final approval in mid-September.

To receive the IMF's promised $230 million in standby credit, to be dispersed over a period of 30 months, the Peruvian government has agreed to:

- cut its budget deficit by one third;
- increase interest rates by 12 percent;
- further cut credit to the private sector;
- "gradually" devalue the Peruvian currency, the sol, by 80 percent by year's end;
- and limit government employee wage increases to $10 to $15 per month, far short of the current 100 percent annual rate of inflation.

This latest austerity package is a death warrant for the Peruvian population.

Living Standards. In the last few months, as the IMF has forced Peru to implement more and more genocidal policies, living standards have been cut in half again. The state marketing board reported that IMF-imposed austerity measures had resulted in a 57 percent drop in food imports in the first quarter from the depressed levels of the same period in 1977. Wheat imports were cut by 40 percent; meat imports by 80 percent; milk imports by 98 percent; and chicken-feed imports entirely. When local production is taken into account (only about 1 percent of Peru's territory is considered arable), the import cuts translate to reductions of about one-third in overall bread, meat, and milk consumption, and the virtual elimination of animal protein from the diet of the poorer half of the population.

The biggest fall in consumption occurred in the mid-May "Mother's Day Massacre," when the bankrupted government yielded to IMF demands to eliminate subsidies on basic food and fuel products that provided a slight cushion against the effects of inflation for the poorest. General price levels shot up by 60 percent overnight following price increases of up to 130 percent on edible oils, wheat flour, and milk. Wage increases above 10 to 15 percent were outlawed.

It surprised no one that the population responded to these measures first with shock, then with food riots, then with a disciplined national general strike that was harshly suppressed, leaving 28 dead and hundreds jailed. As President Morales Bermudez warned President Carter, the stage has been set for an unending cycle of austerity, resistance, and repression.

Health. The impact of what the IMF has done to Peru with full cooperation from the U.S. Treasury

Department and Henry Kissinger's networks in the State Department, may eventually be felt in the U.S. itself in the form of pandemics now germinating in the ravaged population. Peruvian health officials reported two months ago that 55 people had recently died from yellow fever in the Peruvian interior. An expert at the Center for Disease Control in Atlanta reports that the disease is endemic in the monkey population of the jungle, but that such widespread incidence probably reflected the fact that yellow fever is becoming epidemic among the human population.

Malaria, which ravaged Peru's coast before it was virtually eradicated 20 years ago, has made a virulent come-back in the valleys surrounding Lima and even in the capital itself, according to the Peruvian press. In February, the weekly *Caretas* reported that budget cuts had eliminated the antimalarial teams that had prevented disease expansion from latent foci. Bubonic plague is also latent in Peru and will spread if not controlled.

A quantitative index of the destruction of the physical resistance levels of the Peruvian population brought on by three years of austerity is that babies born last year in one Lima slum district weighed 25 percent less than those born in 1973. This evidence of generalized malnutrition correlates with an Organization of American States study which found that real wages in early 1977 were almost 50 percent below those of 1973.

Recent studies cited by the weekly *Marka* magazine found that 18 percent of the urban families in Peru — and 40 percent of rural families — consume less than 1,900 calories per capita, far below the recommended 2,500 calories minimum; malnutrition levels in the population-dense capital of Lima are estimated at 22 percent, and 81 percent in the jungle backlands. Many Lima families have simply eliminated evening meals. A social worker quoted in the *Los Angeles Times* of July 6 estimates that the bulk of the country's 16 million people are moving "from malnutrition to the brink of starvation."

Industry. Peru has ceased to be an attractive market for U.S. exporters, as the U.S. Commerce Department will confirm. Over the past year, the Peruvian government has followed IMF orders to triage internal credits and foreign exchange allocations to Peruvian industry in order to free resources to pay off the country's $8 billion foreign debt. Industry in May had only one-fourth of the foreign exchange needed for minimal operations, and widespread bankruptcies were reported. Industrial production, which fell by 6 percent in 1977, fell by an additional 14 percent by March of this year. By May, industry was receiving only $15 million per month for importing vital inputs — a tenth of what the Central Reserve Bank had projected as necessary for normal industrial growth and production. The IMF's "stabilization program" is bringing production to a standstill.

IMF: Use Chile's methods

"We see no need at this point for a loan to Peru from the Exchange Stabilization Fund."

Frank Maresca, U.S. Treasury Dept., Developing Nations Division to *Journal of Commerce*, Dec. 21, 1977

"What is happening to Peru is all their own fault. They will have to suffer the consequences of a default . . . . Let other countries see they can't get away with such things."

Frank Maresca, in a private conversation March, 1978

"After the 1973 coup in Chile General Pinochet cut the gross national product by 16 percent and had to spill a great deal of blood to do so. He still didn't satisfy the (International Monetary) Fund. So what chance have we got of getting another austerity programme to stick without the use of the methods he used?"

A Peruvian Central Reserve Bank official quoted in the *Financial Times*, June 29, 1978

"In the end I think either the Fund will have to go or the Constituent Assembly, and the return to democracy will have to be canceled. I don't think the Fund will go . . . ."

A Lima banker quoted in the *Financial Times*, June 29, 1978

How did it happen?

The progressive nationalist Peruvian Revolution of General Juan Velasco Alvarado (1968-1975) carried out agrarian, labor, educational, and banking reforms which gave millions of Peruvians their first access to the opportunities of modern society. Real wages increased by 33 percent between 1969 and 1973, according to the Organization of American States study. The ambitious development projects begun during this period were financed by an increase in national savings rates at the expense of a displaced feudal oligarchy and by record foreign lending (encouraged by the World Bank).

But starting in 1976, London financial circles and the IMF became hysterical at the increasingly nationalist posture of the Peruvian military — particularly its leadership of the Third World movement for debt moratoria and development — and decided to use economic muscle to wipe out the progressive tendencies in the regime. A series of crises orchestrated by Luigi Einaudi, a Mont Pellerin society member brought by Kissinger from the Rand Corporation to the U.S. State Department, undercut the nationalist military forces and brought the first austerity measures in June 1976, "policed" by a consortium of New York bank creditors. The price increases provoked bloody riots, which were the pretext for imposition of martial law under a State of Emergency for 13 months. The independent press, including *Nueva Solidarita* and NSIPS, was banned and dozens of political and labor leaders imprisoned or forced into exile abroad. Wages were frozen and strikes forbidden.

Peru negotiated with the IMF the conditions for a standby credit all through 1977, and on Sept. 20 was finally forced, through constant economic warfare, to accept an agreement with the IMF which could not be imposed on the population without making a mockery of the return to civilian rule promised by President Francisco Morales Bermudez. The government's attempt to sidestep the most severe of the IMF demands was met by stepped-up economic warfare, culminating in a total credit cut-off by May 1978 and the "Mother's Day Massacre" austerity decrees.

Given the genocidal austerity being imposed, the "democratization" process now underway in Peru stands out as a cruel joke, a political attempt to "sweeten the bitter medicine" of austerity with a liberal, democratic coating. The July elections for a constitutional assembly were arranged by the Interior Minister to ensure the victory of the pseudo-leftist populist Second International APRA party and the oligarchic Popular Christian Party, which openly espouses Chilean economic "shock therapy" for Peru.

3. Once the IMF is in control: genocide

Zambia

Although Zambian President Kenneth Kaunda has consistently and effectively countered pressure from Great Britain over his policies toward Rhodesia, his government has equally consistently acquiesced to the demands of the International Monetary Fund.

Since the collapse of the world price of copper in 1974 the IMF has settled like a vulture on the formerly healthy Zambian economy.

The IMF's program for Zambia developed over a seven-month period since November 1977, culminating in a June meeting of Zambia's 20-odd creditor nations sponsored by the World Bank. The meeting produced an $800 million aid package, including $393 million from the IMF, contingent on Zambia's continuing its current policy of draconian austerity.

Labor and Food Policy. Following a November 1977 visit to Zambia by an IMF delegation, Finance Minister John Mwanakatwe elaborated a program for Zambia recommending cuts in Government expenditure, including capital expenditure and social services; large scale layoffs both of government employees and copper mine workers; and labor-intensive rural development including compulsory relocation of urban dwellers.

This year's budget, announced in January, includes these recommendations and a slashing of government food subsidies, which resulted in a 21.6 percent rise in the price of maize, the main staple for most of the population, according to the London *Financial Times.*

Political Measures. "International willingness to help Zambia," gloats the *Financial Times* June 9, "has in part been due to the efforts of the Zambians themselves," including willingness to institute "harsh measures." "Although it appears confident of staying within the IMF guidelines until the end of June, the next quarter may pose problems. It is at this time that the Government will need rigidly to enforce its austerity program in the face of demands from ministries starting to feel the pinch."

The IMF is also reported to have demanded de facto recognition of Rhodesian Prime Minister Ian Smith's illegal "internal settlement." The March 22 *Financial Times* reported that the IMF may have "demanded Zambia resume use of the Rhodesian transportation system as a precondition for loan assistance."

Bangladesh

In Bangladesh between 30 and 50 million people out of a population of 83 million starve every day of the year.

The World Bank has become increasingly involved in Bangladesh since 1963. According to the International Labor Organization, in this period the proportion of the population below the "absolute poverty line" — less than 1,935 calories a day — rose from 40.2 to 78.5 percent. In the same period the population below the 'extreme poverty line' — less than 1,720 calories a day — rose from 5.2 to 42.1 percent. A rickshaw driver burns 4,000 calories in a day's work.

Debt Service. The country's debt service has risen drastically. In 1975, debt service was 22 percent of the nation's export earnings; in 1985 it will be more than 30 percent.

Food Policy. Bangladesh is dying. However the World Bank's 1978 report *Bangladesh: Food Policy Review* proposes a drastic reduction of the urban food ration and a "free market" in rice, in the name of the abstract principal of "self-sufficiency" and ostensible aid to the poorest farmers. The Bank recommends a 33 percent cut in the ration available to an urban family at subsidized prices and the removal from the ration lists altogether of everyone above a low cut-off point, the ration subsidy for the latter to be compensated by salary increases. Commented the *Far Eastern Economic Review* (May 19, 1978): "In the absence of strong and comprehensive reforms, at which the World Bank report never even hints, reduction of rations would only starve the urban masses without alleviating the burden of the countryside's hungry millions."

The African Sahel

The countries of the sub-Saharan region of the drought-stricken Sahel are labeled Relatively Lesser Developed Countries. They are in the Fourth World. The fragile national economies of most of these countries were destroyed by the 1973-74 Sahel drought, itself a product of World Bank-International Monetary Fund bleeding of the economy. In 1974, the GNP of the afflicted countries fell 50 percent.

These nations now subsist only on the basis of relief from the World Bank, the United Nations, the Agency for International Development.

Food Policy. For the 27 million of the people of the Sahel region, the average protein diet is 25 percent below the minimum standards set by the United Nations Food and Agricultural Organization. East Africa is now under seige by swarms of locusts that consume 8,000 to 34,000 tons of food each day.

In addition, it is estimated that if minimal food relief is not injected into the region by the end of the summer, 7 to 10 million people will die of starvation. Nevertheless, the current Humphrey Food Bill now before Congress proposes to cut off PL 480, the main provision for U.S. food relief.

Chile

Chile could be considered a model country — in terms of paying its debt to the International Monetary Fund and other, similar agencies. Since the 1973 removal of the government of Salvador Allende, Chile's debt service has risen from $93 million to $571 million.

Labor Policy. Unemployment in the capital city, Santiago, is now estimated at more than 20 percent, compared to 3 percent during the Allende regime. Since 1973 wages have been cut in half, or even more. In 1977, 55 percent of the child population was found to be suffering from malnutrition. Unemployed are put to work in public works programs that pay $25 a month, in foodstuffs, not cash.

"(Nazi Finance Minister) Dr. Schacht cannot be held responsible for the crimes of the Nazis. Hitlers arise from monetary instability, and Schacht was a genius at preventing monetary instability. Had his policies succeeded, Hitler would not have come to power . . . . In Chile we have seen a remarkable, a great turnaround from the days of the previous (Allende) regime."

Milton Friedman,
economist who authored the IMF austerity program for Chile
July 24, 1978

Industry. The state sector has been severely cut back, with employment cut from 18.3 percent in 1972 to about 13 percent now. This was achieved through mass firings, cutting wage levels of the remaining workers by 20 percent, raising prices on state sector services and products, and selling off 400 government-owned companies to speculators for a small percentage of their true value.

Other industries have been just as hard-hit, by the combined effects of collapsed living standards and the decimation of the state sector. The auto industry, for example, has dropped its production level by over 50 percent, from 26,613 units in 1972 to 13,200 today. A new lowering of tariff barriers, to occur in June 1979, will have an even more devastating effect on industry, and is expected to cost another 40,000 jobs.

4. World condemnation of the IMF

"There is something which upholds all human rights, without which they can't even be understood: the right to what we've called the dignified levels of consumption of the human being, the need he has for guaranteed levels of food, health, education, leisure, and the right to joy."

Mexican President Jose Lopez Portillo
Jan. 18, 1978

"The deflationary recipes of the International Monetary Fund inevitably result in a cycle of social agitation and repression, which obliges governments to violate in an ever-increasing degree the rights of man."

Peruvian President Francisco Morales Bermudez
September 1977

"What concerns me is the role of the IMF as a police state. This can be detrimental in the long run. If the IMF acts as a powerful surveillance agency, it can take the initiative for development out of the international market. We need longer-term financing to accomodate these countries' development programs."

The international economist
at a leading U.S. commercial bank
June 5, 1978

"International financial organizations are fomenting social disturbances through their loan conditions. This is a new and more subtle form of violation of human rights of developing nations."

Peruvian Foreign Minister Jose De La Puente
July 25, 1978

"Foreign interference is carried out by means of state power through other national and international political and economic and financial organizations and institutions of an official or private nature . . . . Human rights cannot be separated from the national, economic, and social context and in fact are an integral part of the struggle to change and democratize international relations as a whole . . ."

Communiqué of the Belgrade summit
of the Non-Aligned Movement
Aug. 1, 1978

"Countries and institutions allocating credits usually force the economies of underdeveloped countries to stagnation in the name of 'stability' (leading to) upheavals (that) could increase the tendencies to establish autocratic regimes."

Turkish Prime Minister Bülent Ecevit
Aug. 7, 1978

"Only undiminished access to international credit gives a state the possibility of maintaining national sovereignty over social and economic policies. Any debt settlement — such as those that need to be conducted with the Third World — must accept this principle."

Chairman Emeritus for Deutsche Bank,
Hermann Abs
May 1978

"The International Monetary Fund and other credit organizations — traditional instruments of U.S. policy — impose onerous conditions, weaken the popular foundations of governments not to their liking, and undermine their political stability. Such circumstances are favorable to pressures and submissions which lead to temporary victories by the reactionary forces in some nations of the world."

Cuban President Fidel Castro
July 25, 1978

What The EMF Can Do

And how it will get rid of the IMF for good

The developing nations now have a new, institutional alternative to the International Monetary Fund, the World Bank, and the other agencies of the same genocidal policies that the new monetary system is designed to conquer.

The first giant step in this financial transformation is the European Monetary System proposed by West Germany and France and approved at Bremen, West Germany by the nine heads of state of the European Community on July 7, over the strenuous opposition of Great Britain.

As the European Monetary System (EMS) takes effect by stages starting this September, it will, through its European Monetary Fund (EMF) replace the IMF and serve as a headquarters for absorbing presently unwanted and misused American dollars. The Fund takes its dollar holdings and uses them to make long-term, low-interest loans to industrial-development and energy projects around the world. The project managers then import capital goods and infrastructural equipment, paying their borrowed dollars to advanced-sector producers, above all in the U.S.—and achieving an unparalleled expansion of all economies involved.

The Arab Monetary Fund, with plans to greatly increase its $700 million reserves, intends to link up with the EMS's Fund as early as September 1978. The highly development-oriented Bank of Islam, in which 41 Islamic nations participate, is considering parallel measures; and the African Development Bank, having gained Japanese involvement, has requested West German participation to reach a 70 percent increase in capitalization. Mideast gold purchases have soared since Bremen.

The Grand Design

Thus the EMS is, and is designed to be, what one senior West German official just after Bremen called "the seed-crystal of a new monetary system." That system would fully incorporate the United States, the socialist sector, and Japan. It is known as "the International Development Bank plan," after the 1975-77 proposals by U.S. Labor Party chairman Lyndon LaRouche. The European press also refers to it as the "Grand Design," after the Grand Design of Sully, the 16th-century economic counselor of Henri IV of France, who fought to develop world industry and technology from the top down against his feudal opponents.

The Grand Design's first open achievement was the 25-year Soviet-West German economic accord signed by Schmidt and Soviet President Leonid Brezhnev on May 6 in Bonn. Utterly obscured in the U.S. press, the treaty is no mere trade accord but a sweeping commitment to joint investment, research, and development, including joint ventures in less-developed third countries.

The Schmidt-Brezhnev treaty and these energy offensives would have been paper postures without a plan to create the financial mechanisms needed to implement them; to wipe out the IMF; and to draw the U.S. into the Grand Design credit system.