# Ensuring IMF rule: 'Regional currency blocs' scheme

by Richard Freeman

City of London financiers began to implement a plan between Dec. 8-11 to collapse the dollar, carve up the world into economic, trade and currency zones. The outlines of this plot were worked out at three closed door meetings of top geopolitical monetary groups in Europe—the monthly Bank for International Settlements meeting in Basle, the European Commission meeting in Geneva, and the top Atlantic Institute think-tank in Paris.

Nicholas Krul, a senior partner at the Swiss-based Gulf and Occident investment bank who made policy input into all three of the meetings best summarized: "The world is going to break up into competing currency zones. "I see the international monetary system going into a Darwinian phase, in which each zone survives by competing with the other." This, said Krul, must be preceded by a breakdown of the dollar. "The dollar has lost its hegemonic lynchpin role," boasted Krul. "We can't go back to the old centralized monetary system." Indicating his attempt to pull the East bloc into this deal, Krul added, "this arrangement can be conducive to the cooperation of the Soviets and an East bloc transfer ruble, because the Soviets up until now have never accepted and would not accept the central role of the dollar."

Krul's version of a world broken into rival zones is not new. It is the vision of the Club of Rome-controlled United Nations bureaucracy and in particular the United Nations Institute for Training and Research (UNITAR) which is calling for a "New Inter-Regional Economic Order." In Europe, this view has long been espoused by the Hapsburg Pan-European Union which has campaigned in the last elections for a "Europe of the Regions." The basis for the entire plan was worked out Sept. 29-Oct. 3 at the International Monetary Fund meeting in Belgrade, Yugoslavia, where the American representative, Treasury Under-Secretary Anthony Solomon, and the British representative, Chancellor of the Exchequer Geoffrey Howe, proposed that: a) the dollar be scrapped in favor of the IMF's Special Drawing Rights currency; b) international lending outside the channels of the IMF be reduced; and c) "IMF authority to set economic policy for the United States and Western Europe be increased," according to an advisor of Solomon's.

The intent of this plan is to achieve the elimination of national economic and political sovereignty of all the world's nations and replace that with unrestricted IMF rule and the imposition of the IMF's "conditionalities."

The new boldness in the British presentation of their "currency zone plan" has come about as a result of the Iranian crisis. The U.S. freeze of Iranian assets held in U.S. banks on Nov. 14 and the Nov. 22 declaration by Chase Manhattan Bank, Morgan Guaranty Bank and Citibank that the Iranian government and its subdivisions were in default on loans had been worked out weeks in advance of the taking of hostages at the U.S. Embassy in Iran Nov. 4. The U.S. State Department, the Treasury Department, the crisis management planning group, the Federal Emergency Management Agency (FEMA), the top U.S. money center banks and the Eastern Establishment's Council on Foreign Relations had participated in planning the Iranian asset freeze scenario.

## A bridge out of the dollar

The Atlantic Institute brings together under one roof the top policy and economic planners located in the orbit of the City of London to discuss monetary and military events. The Institute, established shortly after the war, functions as the adjunct planning body of the British General Staff and economics desk stationed at NATO headquarters in Brussels.

A partial list of attendees to the Dec. 8-11 Institute meeting included: Renee Larse, head of the Bank for International Settlements, a secretive institution in Basle where the Federal Reserve and other major central banks coordinate financial strategies; Paolo Baffi, who resigned as governor of the Bank of Italy a few weeks ago; Nathaniel Samuels, vice chairman of Kuhn Loeb/Lehmann Brothers international, a big New York investment house; and Rimmer de Vries, chief international economist for the Morgan Guaranty Bank and another member of the "Dutch financial mafia." The Dec. 10 meeting, "World Monetary Tensions," was opened as a secret briefing to selected press to make sure they got out the "correct line" on the dollar's collapse.

Giving the keynote address on the last day of the Institute's meeting, Morgan's de Vries emphasized that the international monetary system would break apart under an OPEC price increase, leading to a regional currency zone system.

In an interview, de Vries outlined on Dec. 3 the content of his Atlantic Institute presentation. "I'm calling for European governments to issue currency bonds in their own currencies to sop up dollars," stated de Vries.

Under the de Vries plan, the German deutschemark, the Swiss franc, and the French franc, the world's "hard currencies," would become world reserve currencies, in which trade and credit would be priced. The dollar would be retired, or restricted to North American use.

Yet, according to Nathaniel Samuels of Lehman Brothers, de Vries' proposals landed on deaf ears on the part of the Germans and the French. "The German Finance Ministry wouldn't hear of a currency bond scheme. Their representative at the meeting rejected this plan out of hand."

To circumvent this continental European blockage, Samuels proposed that "the only way we're going to get currency diversification, is if the OPEC oil producing nations themselves demand payment in d-marks or French francs. What can the individual oil consuming nation do; it's over a barrel."

Picking up on this theme, the London *Daily Telegraph*, in the wake of the Iran crisis, said, "the possibility of individual bank failures is acknowledged. ... The serious long-term consequences of what has happened can already be outlined. Banks from different countries may be willing in the future to form syndicates to provide loans to countries and multinational corporations around the world." Citing a growing "friction in the world's monetary machinery," the *Telegraph* discloses that the crisis does increase the role of the City of London "as a world financial center."

## Tightening the noose around lending

To ensure, however, that the volume of international lending does not increase, the Bank for International Settlements, under the direction of the British and Dutch financial community, has sought to place capital ratios on European banks as well as impose consolidation of bank balance sheets, reportedly in order to get "more uniform bank
would cut down on the amount of capital the German banks would be allowed to lend, thus damaging German use of dollars to conduct trade financing to industrialize the Third World.

Parallel to the BIS meeting, the European Commission met in Geneva to work out the technical basis for the extension of the European Currency Unit (ECU). The European Commission bureaucracy, which is under the control of EC President Roy Jenkins, has been pushing to make the ECU a formal trading and payments currency.

According to participants at the BIS and European Commission meeting, neither seems to have gone very far toward their objectives. According to a German central bank representative at the European Commission meeting Dec. 10, "This meeting was useless. I don't see the ECU being established for many, many years."

Furthermore, early reports from the Atlantic Institute meeting indicate that the German and French delegations offered stiff opposition to all plans to get out of the dollar. "The German Finance Ministry didn't listen to these proposals," reported Lehman Brothers/Kuhn Loeb's Samuels. In perhaps the biggest surprise, the Atlantic Institute meeting may have turned out to have been a major defeat for the British forces there. Reports the German daily *Die Welt* Dec. 10, the French perceived the Atlantic Institute meeting as a direct sounding board for the proposal of President Giscard of France to extend the European Monetary System to a global scale by next spring. *Die Welt* adds that this implies correcting "the extravagant monetary disorder prevailing outside the well-functioning EMS" by linking the dollar to the EMS and then backing both of them on gold.

## *"Europe can do nothing about currency diversification."*

*The following interview with Nathaniel Samuels, vice chairman of Lehman Brothers, Kuhn Loeb International, was made available to* EIR *by an independent journalist.*

**Q:** Was currency diversification one of the subjects discussed?

**A:** Yes, the three subjects of discussion were currency diversification; Third World debt and the subject of oil. On currency diversification, I would say that that is the direction the world monetary system must move in. However, there are two ways to go about getting currency diversification. One is for European countries to issue national currency bonds. This might be a good idea as Rimmer de Vries is proposing, but there wasn't much acceptance of the idea.

Q: You mean by the French and Germans and...
A: The Germans at the Atlantic Institute meeting wouldn't even hear of the proposal. They're not interested in it.

Q: So what's the solution?
A: The second currency diversification option is for the oil producing countries themselves to demand payment for their oil in a foreign currency, such as getting paid D-marks from the Germans.

Q: What if the Europeans don't like this proposal?
A: There is nothing they can do about it. An individual country can do very little to prevent it.

Q: Do you see this coming from the OPEC meeting in Venezuela?
A: Yes, that might happen among some of the OPEC nations.

Q: What in addition to currency diversification might bring monetary reform?
A: I've said this many times, monetary reform is only a predicate of something else and that's the oil situation. ... This may sound trite, but right now the most crucial happening is the International Energy Agency meeting. The advanced countries must agree to cooperate to cut oil consumption. If there are some countries that can't accept the IEA itself, that's not the most important thing, it's the *IEA concept* that's important. We must have a reduction of bilateralism between countries; it is bilateralism on oil and other matters that is ruining us.

## "Europe should issue national currency bonds to recycle dollar surpluses."

*The following interview with Morgan Guaranty Bank's Rimmer de Vries was made available to* EIR *by an independent journalist.*

Q: Recently the Journal of Commerce referenced a plan from Morgan Bank, which I assume you authored, calling for foreign currency bonds to sop up dollars.
A: The main idea for that editorial is that if the price of oil goes up to $30 per barrel by next year, which I assume could happen, then there is going to be a major problem in recycling the OPEC surplus. If the price remains the same, then the OPEC surplus for next year will only be $25 billion which can be handled by the commercial banking system. If, however, the price goes to $30 per barrel, then the banking system cannot handle this, because we are talking about a surplus of $80 ... $90 ... $100 billion. That amount is too large to be handled by the banks.

Q: What happens then?
A: The foreign governments step in and help, on the backs of the banks, to recycle the surplus. They can do this by issuing national currency bonds....

Q: You mean you don't want the U.S. to issue foreign currency bonds, like D-mark bonds, but instead have the European government issue that bond?
A: That's right, that's right. Henry Reuss spoke the other day on getting foreign currency bonds issued by the U.S. government, but that won't work. These bonds are like what the Swiss have done. The Swiss issued Swiss franc bonds through the World Bank recently and will soon be issuing, as official Swiss central bank policy, more Swiss franc bonds. The British are issuing sterling bonds...

Q: Can the British succeed?
A: They don't have a large enough currency. It will have to be done with other countries issuing foreign currency bonds.

Q: You mean the Germans?
A: Yes. The Germans are key.

Q: But will the German government agree to this?
A: Well, the Bundesbank has a party line against this proposal.

Q: What about the U.S. government? Does Anthony Solomon agree with the plan?
A: Solomon is enigmatic. He wants the SDR. That's not realistic until 1985.

Q: What about the charge these foreign currency bonds are inflationary?
A: They're not. Their attraction is that first, they create exchange stability and monetary order, something that's lacking. Second, this is money that will end up in Europe's coffers and not somewhere else, which is very attractive for Europe. Third, by recycling on the backs of the commercial banks, the European governments are relieving the banking system's burdens.

Q: One last question. Will you be presenting this plan to anyone soon?
A: As a matter of fact, I'm going to be presenting this proposal to a meeting of the Atlantic Bridge.