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A private sector Brandt policy

Renee Sigerson analyzes how capital flows to the Third World may, under present circumstances, promote the goal of net deindustrialization.

Following a summit meeting with President Reagan May 20-21, German Chancellor Helmut Schmidt made a surprise announcement at a backgound briefing for reporters in Bonn. Schmidt stated that he wanted his support to be registered for a program known as the "Marshall Plan for the Caribbean." Schmidt then went out of his way to publicly praise former Chase Manhattan Chairman David Rockefeller for recently forming a businessmen's council on Jamaican-American affairs.

Schmidt's comment has absolutely nothing to do with economic development in the Caribbean; nor was it some innocent diplomatic gesture. For informed financial circles, typified by the leading investment banks in lower Manhattan, Schmidt's statement will be correctly interpreted as a "signal" that a certain set of financial policies has been put into motion.

To summarize these policies simply, Schmidt was signaling that the "Brandt Commission Report" has gone into implementation phase. In the name of economic development, the Brandt Commission promotes the dangerous hoax that resource extraction and selective capital formation—combined with labor-intensive production for the vast majority of what will remain of Third World populations—are equivalent to a rescue strategy for the southern hemisphere.

Asked to comment on why Schmidt made this unexpected comment, a U.S. State Department official said outright that "the Brandt Report calls for a 'Marshall Plan' for the Third World." Schmidt chose to highlight the Caribbean version of that call, "because there is a large Christian Democratic element in Germany. The Christian Democrats have developed a stong interest in El Salvador. . . . Many people in the DC are on the Brandt Commission [and] as Norman Manley, father of [former Jamaican Prime Minister] Michael Manley, used to say, 'as Jamaica goes so goes the Caribbean.' "

What is the 'Brandt Report'?

In 1977, World Bank chairman Robert McNamara asked Willy Brandt, Schmidt's predecessor as German chancellor, to pull together an internationally prominent panel to study relations between advanced industrial countries and the Third World. *Washington Post* board chairman Katharine Graham and Lehman Brothers Kuhn Loeb chairman Peter Peterson joined as U.S. representatives.

The published report was issued in 1980, under the title "North-South, a Program for Survival." Brandt Commission proponents worldwide have noted that while the study has generated support in Western Europe (most notably in Britain, where several special nationwide TV broadcasts have been shown on the commission), the commission has been virtually a dud on the American political scene. Last October, at the annual convention of the Foreign Trade Commission in New York, Lehman's Peterson delivered a speech on how the Brandt Report had failed to "catch on" in the United States.

Nevertheless, what Schmidt's comment signals—and *EIR* has confirmed this through independent investigation—is that the basic program of the Brandt Commission is currently being activated most strongly within the United States! Under the banner of revitalizing "private enterprise" in developing countries, top U.S. business groups and Wall Street investment firms are currently arranging a wave of "financial capital transactions" into Latin America and Asia which pursue the Brandt strategy.

Last week, the New York Bar Association sponsored a conference whose purpose was to inform the legal community about how the Brandt Commission recommendations are transforming internatonal law governing trade with developing countries.

Two things emerged from that conference. First, that the Wall Street private investment banks are determined to start a new wave of investment into the developing sector—even if that occurs at the expense of essential investment activity in the United States. Irving Friedman, a former senior official with Citibank and the International Monetary Fund currently based with

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First Boston Corporation, laid it on the line: "business [in developing countries] is good business. You can be *very* selective about your borrowing entity . . . you can choose to whom you lend. There is much more 'cherry-picking' to be had in the Third World than in the advanced setor. . . . Loan losses for banks lending to LDCs are lower than in the United States."

Adela and the mutual funds drive

The second issue that popped out during the New York proceedings is that the model for gearing up U.S. investment capital along Brandt Commission lines is a little-known operation founded under the auspices of the North Atlantic Treaty Council in 1964 called Adela.

In 1963, Sen. Jacob Javits proposed during a meeting of the NATO Parliamentarians Group that Western companies ally to stem the tide of communism in Latin America, by setting up private enterprise ventures there, to "prove" the superiority of capitalism to the Cuban model. With approval of the NATO group, in 1964, Javits presided over the founding of Adela.

Over 100 multinationals bought shares of either $100,000 or $500,000 in the Adela experiment. Adela then began to mete out venture risk capital loans to everything ranging from supermarket chains to steel rolling mills and real estate firms.

In subsequent years, an African version of Adela was formed, named Sifida; and an Asian company, which added Japanese and Australian participation, called Pica, was also created. By 1978, Adela had been involved in about 500 enterprises, lending on average several hundred million dollars per year. By 1978, Adela had placed $60 million in investments in Mexico.

As Adela's virtual bankruptcy in 1974 shows, it is impossible to earn money market rates of return on small-scale industrial ventures in Third World countries. Adela—and similar outfits now being created—was never founded to facilitate in-depth capitalist industrial development. Adela is a political operation, which sets up companies as a short-term "hustle."

One of Adela's more prominent early executives was Aurelio Peccei. Working as an operative for the FIAT interests in Italy, which joined Adela at its founding, Peccei left Adela in 1974 to undertake an international career with the Club of Rome.

The Club of Rome has pushed for large-scale depopulation in developing countries. The only difference in fact between the Club of Rome's work and the Brandt Commission program is that the Brandt report focuses on the financial mechanisms—transfer of capital out of the advanced sector as the source of investment in the Third World—that can enforce population reduction.

Another poliical figure launched into public prominence by Adela is Edward Seaga, current prime minister of Jamaica. It was on Adela Advisory Board member Seaga's recommendation that Rockefeller launched his Jamaican-American business initiative.

Following in Adela's footsteps, leading Wall Street firms are now moving to create a "network" of venture capital, as well as long-term capital investment companies, which can selectively channel U.S. funds into developing countries.

On May 24, Merrill Lynch sponsored a private meeting in Boston for Mexican and U.S. representatives around a Merrill project called "The Mexican Fund." The outline for the company was drawn up two years ago by a government-sponsored international agency which is an offshoot of the World Bank, called the International Finance Corporation (IFC).

The IFC specializes in designing financial mechanisms for coordinating private and multinational agency investments in developing countries. The Mexican Fund which it proposed to Merrill will work as a mutual fund, investing in blue-chip companies on the Mexican stock market. Merrill has placed an application with the Securities and Exchange Commission to put the fund up for public offering. If the SEC approval comes through, this will be the first U.S. mutual fund established for placements in a Third World country.

The IFC is simultaneously working on a plan for venture capital investments in Mexico, more directly modeled on the Adela experience. One other develping country cited publicly by the IFC for establishment of a U.S.-based mutual fund is Korea.

The fact that U.S. investment banks want to place capital in the Third World, *in itself* is neither good nor bad. What these recent developments demonstrate, however, is that these "private enterprise" initiatives are being governed by the basic premise of the Brandt Commission recommendations.

That basic premise is that development *cannot* be financed by the creation of new sources of credit by sovereign government policy initiatives. Credit can flow into the developing sector, according to the Brandt Commission, from only three possible sources.

These are: 1) extraction of current capital from the advanced sector through "private enterprise" initiatives; 2) increased capitalization of the IMF-World Bank; or 3) transfer of the financial surplus held by oil-producing countries in OPEC. Either in isolation or combination, these three avenues constitute global credit cartelization.

As one alternative case, U.S. capital goods sales abroad could, for example, be financed by very large increases in the capitalization of the U.S. Export-Import Bank. The Brandt report specifically denounces such national sovereign solutions to the problem of credit generation as "inflationary" and unfairly competitive.