Tokyo summit: World leaders abdicate to IMF

by David Goldman

The Tokyo Economic Declaration adopted by the seven heads of state and government on May 6, will spell disaster not only to the economic, but also the strategic interests of the West, if implemented as policy in the next 12 months. Despite the useful services that the Tokyo Summit performed in the fight against terrorism, and on the matter of nuclear safety, the economic policies which it adopted are a disaster.

Whether or not the "surveillance" regime ratified by the heads of state can function in its own terms, is irrelevant. The point is that the world's leaders agreed *to mutually reinforce* the policies which have already taken the West beyond the brink of financial crisis and strategic rout: austerity budgets, dismantling of heavy industry, looting of the economies of the developing world, breaking up the agricultural sector, and fraudulent accounting in the face of a global banking crisis.

The "performance criteria" which shall measure the seven nations' success are now in preparation at the Washington headquarters of the International Monetary Fund, the formal representative of the global creditors' cartel. The International Monetary Fund and its elder sister, the Swiss-based Bank for International Settlements, imposed the post-1979 austerity regime which collapsed prices and volume of world trade. World trade continues below 1980 levels; except for the bloating of American imports, a sign of American distress, not "recovery," world trade has fallen without interruption since 1980. Yet the same IMF policies which substituted ballooning global debt for expanding world trade, are supposed to avert trade war and chaos in the currency markets. They will do no such thing: The ratification of these policies at Tokyo will bring about a wave of national bankruptcies in the industrial world, beginning with the United States.

In fact, the summit merely rubber-stamped the decisions of the IMF's Executive Board after its meeting April 11. IMF Managing Director Jacques de Larosiere said that "we have been asked to work on a set of indicators that would help us assess. . .the different economic policies of the membership at large, and to use those indicators. . .to assess the progress toward a more sustainable pttern, and if there are deviations, to talk to the countries in question."

Here is what the Summit Communiqué proposes:

1) A receivers' committee of creditors for the United States economy: The seven leaders "reaffirm the undertaking at the 1982 Versailles Summit to cooperate with the IMF in strengthening multilateral surveillance. . ."

But the principal target of the IMF, over three years, has been America's budget deficit—i.e., the impact of IMF credit policies on America's tax base. The IMF spent the past three years demanding cuts in the U.S. defense budget, as well as social programs. The creditors' cartel headed by the IMF has been lending the United States $150 billion per year to finance both the external and internal deficits. Between the April 11 meetings of the International Monetary Fund, and the Tokyo summit, the creditors threatened to withdraw such financing, causing the dollar's price to collapse on currency markets. Under this threat, President Ronald Reagan has agreed to strengthen IMF "surveillance," i.e., receivership at the hands of America's creditors.

2) Uniform commitment to budget slashing: "It remains essential to maintain firm control of public spending . . . excessive fiscal deficits [to be] progressively [reduced]."

As noted, the IMF's principal target has been America's defense budget, especially the Strategic Defense Initiative and associated NASA programs. In the wake of the failure of four successive space-launches, further spending reductions in the areas specified by the IMF amount to unilateral American disarmament.

3) Continued drift away from traditional smokestack industries and into the post-industrial economics of yuppiedom: ". . . effective structural adjustment policies . . . adaptation of industrial structure and expansion of trade and foreign direct investment.

4) Complete and total abandonment of the decimated developing sector: "The pursuit of these policies by the industrialized countries will help the developing countries in so far as it strengthens the world economy."

The collapse of oil prices since November 1985 has left several of the most important debtors, namely Mexico, Nigeria, Indonesia, and Venezuela, in desperate condition. The summit's failure even to mention the ratchet collapse of the developing world's payments capacity represents a *de facto* decision to plunge the world into financial disaster.

5) Endorsement of the ridiculous "Baker Plan" for handling the Third World debt crisis: "We reaffirm the continued importance of the case-by-case approach to international debt problems. We welcome the progress made in developing the cooperative debt strategy, in particular building on the United States' initiative."

6) Increased private looting and debt-for-equity robbery of the Third World: "Private financial flows will continue to play a major role in providing for their development needs."

7) Elimination of what is left of world agriculture: "We note with concern that a situation now exists of global structural surplus for some important agricultural products. . . . Action is needed to redirect policies and adjust the structure of agricultural production."

U.S. national bankruptcy

There is only one difference between the Tokyo declaration, and previous agreements to the same effect: It is one thing to paddle in the wrong direction when several miles away from the falls. It is another thing, when one is only a dozen yards away.

During the week ended April 25, the value of long-term U.S. Treasury securities fell by an all-time record 7%, supposedly on speculation that the Japanese would reduce their previous $50 billion annual rate of purchases of U.S. government debt. This was associated with fears, voiced most strongly by Federal Reserve chairman Paul Volcker, that the U.S. dollar would fall uncontrollably, leading rapidly to financial breakdown. Supposedly, these events on the financial markets spurred the leaders to take measures to calm international currency markets, and make the dollar's decline controllable.

Both the premises and the conclusions of the above account, repeated through the international media, are entirely false. Japan's $50 billion of investments of U.S. Treasury securities—corresponding to that nation's trade surplus with the United States—is not at issue. The Japanese, in fact, rapidly affirmed that they have no intention of pulling the plug on U.S. government debt markets. In fact, Japan has less motivation to disrupt the U.S. currency, and more motivation to stabilize it, than any other nation on earth.

The Japanese account for about one-third of America's current-account financing requirements. The likely source of a run against the dollar, and dollar-denominated securities, arises from the financial cartel which provides the other two-thirds of the requirement, namely, what we have otherwise called "Dope, Inc."

As we reported at year-end, the United States in 1985 derived $80 billion believed to stem from narcotics traffic, flight capital, tax evasion, and other illicit sources, in the estimate of Federal Reserve and Commerce Department specialists. American corporations raised at least $30 billion in so-called Eurobonds, i.e., unregistered bearer securities sold to numbered Swiss bank accounts, via U.S. corporations' shell-subsidiaries in the Netherlands Antilles. The Eurobond market was formed initially to accommodate international hot money that demanded anonymity above all else, and has grown to an annual issue volume of $150 billion, while international bank lending has reduced to a trickle.

In addition to the $30 billion in Eurobonds, America obtained $50 billion from parties unknown, that is, through so-called "errors and omissions" in the balance of payments data: inflows from sources who took pains not to be reported.

It happens that the American team which negotiated the summit accord are bankers who specialize in managing the investment of dirty money in the United States. Former Treasury Secretary Donald Regan, as *EIR* reported April 25, pushed America into the Eurobond pool, in a 1978 agreement with Crédit Suisse, the giant Swiss bank. Regan's job, as White House chief of staff, is to sell various schemes to the President. He left behind at Treasury a banker whom he brought into his old firm, Merrill Lynch, in 1978, Assistant Secretary for International Affairs David C. Mulford. Mulford negotiated the September 1985 "Group of 5" deal which produced the dollar's collapse on international markets. The present treasury secretary, James Baker III, is in agreement with Regan and Mulford.

By no coincidence, the banking crowd at the White House and Treasury has been cheerleading the dollar's fall on international markets, while demanding budgetary austerity to please America's creditors. Despite Federal Reserve chairman Volcker's repeated warnings of a dollar crash and outflows of foreign capital from American markets, Regan and Mulford have persuaded the President that the dollar's fall is good for American exports.

In fact, the Dope, Inc. bankers who run the Treasury have locked the United States into a vicious cycle, in which the threat (or reality) of capital outflows from American markets forces additional massive reductions in U.S. expenditures, with emphasis on military and space programs.