A BIS gameplan for Europe

Export-based recovery may be undermined by deliberate monetary chaos and lending blackmail.

A recent international smear campaign against Germany's leading commercial banks, which reached hysterical pitch in a recent Soviet KGB-authored outburst published in *Pravda* attacking German bank loans to Chile, underlines how European efforts to engineer an economic recovery through an exports drive are vulnerable to being run aground by monetary chaos.

To understand what Europe is up against on the monetary front, it is useful to examine the Bank for International Settlements (BIS), the payments-transfer agency in Basel, Switzerland.

The BIS bureaucracy, which is composed of the most elite financiers of Europe's ancient Genoese-Venetian "black" oligarchy, currently possesses the most comprehensive overview of international lending and debt of any agency in the world.

On Jan. 28, the BIS filtered a detailed scare story to the *Wall Street Journal* on the imminent danger of a Third World debt collapse.

Entitled "Totaling $500 Billion [Third World debt] May Pose Big Dangers," the item features BIS chief economist Alexandre Lamfalussy warning, "Anything that grows so fast in an uncertain and shaky world must raise questions." Lamfalussy was seconded by Oxford economist Thomas Balogh, who is cited as saying "any default" by a Third World debtor" might have a domino effect [amounting to] a catastrophe."

Last fall, the *Executive Intelligence Review* produced a special study documenting in detail the operative scenarios which the BIS has settled on for immediate implementation with the U.S. Federal Reserve, in case of a Third World debt crisis.

What the report shows is that all the scenarios aim at using the threat of an uncontrolled debt collapse to slap down domestic exchange controls, salvage U.S. money center banks, and then launch credit warfare against continental Europe.

The most likely circumstance under which such drastic measures would be implemented, furthermore, is shown to be a crisis provoked by a severe continuation of the U.S. Federal Reserve's *domestic* credit crunch. If the Fed continues to tighten credit at 1979-80 levels, at a certain point, U.S. money center banks will pull in their horns, and bring tens of billions in Eurodollar deposits back home. This would immediately collapse international lending operations.

Volcker increased the likelihood of such an occurrence last October by giving approval for implementation in the fall of 1981 of reserve-free "International Banking Facilities" (IBFs) in New York and other centers.

The IBFs remove the single major advantage of Euro-based deposits, increasing the option for U.S. banks to massively repatriate funds. It is also important that U.S. lending is concentrated in Latin America; France and Germany, however, have extended a larger portion of loans to the Mideast, the East Bloc and the Mediterranean. Currently, for example, German banks have major commitments in two crisis-ridden countries where U.S. banks have a minimal exposure: Poland and Turkey; both are seeking debt reorganization.

If Eurolending is shut down, what would tend to emerge is two competing "financial spheres of influence" in which international trade opportunities to engineer an economic upturn would be vastly cut back.

Last week, the Swiss government announced it was considering joining the International Monetary Fund, the global agency which administers emergency bailout programs for debtor countries. This is a major shift in Swiss policy, which tends to be "neutral" to allow a more discreet exercise of influence through such agencies as the BIS. The announcement confirms earlier *EIR* reports that the Swiss-dominated BIS is striving to "merge" with the IMF, in order to obtain fingertip control over international lending practices in case the plug is pulled.

Equally suspicious are current negotiations behind an unprecedented $2 billion syndicated Eurocredit to Italy. Italy is on the verge of uncontrolled social chaos; while it desperately needs these funds, preliminary analysis shows the loan is aimed at cutting Italy off from French-German export policies, and to shore it up as tool of the oligarchical networks threatening financial chaos.