A 'New Bretton Woods' is not in the interests of the Non-Aligned

by Renée Sigerson

For the nations of the Non-Aligned movement to avoid a severely worsened economic collapse in the near-term, there must be established a new international monetary system. The new arrangements which need to be brought into practice by responsible governments, however, must in no way be confused with the specifically evil recommendations for world monetary reorganization now being circulated by several international organizations under the heading of a "New Bretton Woods."

Human civilization has no time for compromises to be made on this issue. In a "Kissingerian" step-by-step fashion, a number of features of the "New Bretton Woods" blueprint have already been put into effect as governing policy for international banks and financial agencies such as the International Monetary Fund. Since the third quarter of 1982, international commercial-bank lending to developing countries has been slashed to 50 percent of 1981 levels. This is only the opening shot of the "New Bretton Woods" blueprint.

The effort to launch a New Bretton Woods has unfolded gradually, like a theater script, since the September, 1981 annual conference of the International Monetary Fund (IMF). The forces behind this proposal are the Western world's two chief financial centers, London and Switzerland. In the midst of the greatest financial crisis in world history since the 14th century, the London-Swiss axis is aiming to use the crisis to terrify governments into accepting a world financial dictatorship, the actual content of what is called the New Bretton Woods program.

The blueprint being proposed is to a large extent a revival of the original 1944 Bretton Woods proposal of Lord Maynard Keynes, who urged that the postwar monetary order be put under the cartelized control of a single, World Central Bank. In 1944, Keynes's design was shot down by a U.S. President and Congress who refused to finance such a dictatorship. The postwar monetary system resolved upon was thus a compromise between the Keysenians and other international forces.

The first indications of a serious revival of the Keynes approach became public in 1980. At that time, leading British and Swiss financial policymakers reached agreement on a strategic assessment of the effects on the world economy of the usurious interest rate policies which had been implemented by the United States in 1979. Concluding that a worsened economic depression in the traditionally industrialized countries was well under way, these financial power centers realized that the depression would probably trigger "undesirable" political reactions. The London and Switzerland axis concluded that efforts had to be gotten under way immediately to "channel" and subvert the political tendencies which could arise in defiance of the effects of spreading depression.

Of great concern to these layers was to prevent any revival of support in the developing sector for the pro-growth and debt moratorium programs which had gained majority Third World support at the 1976 Colombo, Sri Lanka Non-Aligned summit.

London and the BIS boys

In 1980, a series of meetings took place at the headquarters of the Bank for International Settlements in Basel, Switzerland, whose contents were then reflected in major financial press. Under discussion was the idea that the BIS had to assume an expanded role in overseeing the world financial system. The viewpoint expressed at that time was that the International Monetary Fund was not sufficiently "objective," in implementing world financial policy, because its bureaucracy was too beholden to governments.

Ultimately, the IMF and BIS are controlled by the same people. However, the IMF is dependent for its financing on governments and elected parliaments. The BIS, in contrast, is a *private* organization.

The BIS was formed, and is run, by a few dozen private financial fortunes, the majority of whose family names can be obtained simply by listing the boards of directors of Europe's two largest private insurance companies, Riunione Assicurazioni di Sicurtá of Trieste, and Assicurazioni Generali of Genoa. In this constellation of private European family fortunes, Great Britain represents a key political resource, because of the colonial empire base of power over centuries of British finance.

The unfolding of the gameplan

The first unveiling of the New Bretton Woods scheme occurred in 1981, at the Washington, D.C. IMF annual meeting. During the proceedings, outgoing BIS director Jelle Żjilstra delivered a "farewell" address to the international banking community in which he mourned the effects high interest rates were having on the world economy. Zjilstra declared that a return to fixed exchange rates, based on central-bank control of a fixed world gold supply, was a necessary monetary cleansing measure that had to be undertaken to gain control over the snowballing world depression.

Several months later, the BIS ran a "test-run" in Washington, D.C., circulating Zjilstra's proposal among leading conservatives around the U.S. Congress. The conduit through which this test-run was conducted was the research section and board of directors of Morgan Guaranty Trust Company. In London, Morgan's affiliate, Morgan Grenfell—a bank which maintains extremely close connections to the British Foreign Office—rallied support for the Zjilstra proposal in slightly altered form.

Following this initial foray, behind the scenes, BIS functionaries, with the continuing backup of the Morgan interests, continued to test out international financial institutions on reactions to increasing the global credit-control policies of the BIS. To get the most intimate sense of what the private financial interests behind the BIS viewed as their objective, it is useful to remember that the BIS was formed in 1931 to manage a creditor's cartel following Germany's debt moratorium. It was through channels controlled by the BIS that the reorganization of Germany's finances in 1931 became the occasion for a decade of global economic depression.

In May 1982, the fruits of the BIS's activities were realized at a private meeting at the Ditchley Park estate in London of international commercial bankers. Brought together for the purpose of forming a creditors' cartel, the banker resolved to coordinate all lending to the Third World. The 26 largest Western commercial banks were represented. New York's Chase Manhattan bank volunteered to handle public relations activity for the "Ditchley bankers" group, but, investigations revealed, the Morgan interests were the real brains running the Ditchley show.

With the formation of the Ditchley Group of bankers, the first phase in organizing for a New Bretton Woods was brought to completion. Following that May 1982 meeting, international lending by commercial banks to developing countries was slashed by 50 percent. Although the legality of the Ditchley Group is presently being heavily contested in the United States on anti-trust grounds, for all intents and purposes, international private lending, through that organization is now entirely under the control of the BIS. The advanced-sector banks for now are playing by the rules of the "New Bretton Woods."

Harold Lever and the Brandt Commission

As the BIS leads Western bankers down the insane path of maintaining depression through lending cutoffs, manipulation of the Third World's interests in the global debt fight has fallen to the lot of the revamped, modern-day outposts of the old British colonial office. Exemplary of institutions which "represent" Third World interests from a colonialist standpoint is the so-called Brandt Commission. Also important is the Swiss/Venetian controlled Geneva headquarters of UNCTAD, and such British Fabian organizing instruments as the Society for International Development.

In early 1982, the Queen of England's servant, former cabinet member Sir Harold Lever, elaborated at the Churchill Memorial Lectures the basic institutional change required by London and Switzerland to maintain control over world finance. Lever called for the creation of a new "world central bank." Lever made several subsequent private speeches in behalf of the design. December 1982 British press coverage of Lever's concept specified how the new Bank would function as a "sort of central bank of central banks [which] would act as a lender of last resort in appropriate cases and . . . exercise the kind of general supervision over international lending that is now exercised by central banks over domestic banks." In short: an instrument of world financial dictatorship which has the power to bail out banks at the expense of the credit needs of international trade and borrowing countries.

In July 1982, Brandt Commission founding member Robert McNamara—an avowed enemy of the developing sector—delivered a speech at an international conference of the Society for International Development, held in Baltimore, Maryland. The former World Bank president and depopulation advocate urged that a new world central bank be created as part of founding a "New Bretton Woods."

In statements widely played up in international media, calls for various features of the New Bretton Woods have been issued by U.S. Treasury Secretary Donald Regan; Felix Rohatyn of Lazard Frères; former U.S. Treasury Secretary Henry Fowler; and dozens of others. The proposal forms the core of a special report to be issued by the Brandt Commission in February, whose contents were worked out at a December 1982 Brandt Commission meeting in Ottawa. The Brandt Commission version of the proposal is aimed to be the dominating document at the June 1983 Belgrade UNCTAD conference. It is also being timed to disrupt proceedings at the end-of-March preparatory meeting of the Group of 77 to be held in Argentina.

According to the Brandt Commission's London office, the chief points of the document are as follows:

- An emergency meeting of IMF governors should be held to discuss means for increasing global liquidity.
- The IMF should be given powers to increase printing of Special Drawing Rights.
- The IMF should be given free reign to borrow funds on the private markets.
- The IMF's quotas should be doubled.
- The World Bank should be permitted to use a larger portion of its funds to bolster IMF "adjustment" programs.

Manipulation of the U.S. Congress

There is a substantial amount of political resistance in U.S. political circles against providing U.S. financing for this program. The BIS and Morgan interests, in recent weeks, have launched an extensive propaganda campaign to break up this resistance, and get the U.S. to print funds, no questions asekd, for this program to revamp the IMF.

In a series of high-profile press articles and Congressional testimonies, leading scions of the private financial community have been warning that a debtors' cartel in the Third World may blow up the U.S. banking system at any moment. A climate of outright panic is being deliberately generated to convince U.S. politicians that no alternative to transforming the IMF into a world central bank exists.

On Jan. 10, former U.S. Treasury Secretary Henry Fowler urged in testimoiny before Congress that the United States support a charter revision of the IMF to allow it to expand its power. "The IMF is evolving into a different kind of function than established at Bretton Woods," Fowler told a Congressional committee. "Since then, a huge international market, the Eurodollar market, has grown up outside the scope of central bank supervision, and its supervision is not provided for in the IMF charter." As a result of Fowler's testimony and other, related pressures, two cabinet-level meetings during January were devoted to examining proposals for revising the charter of the IMF and expanding its powers.

Two kinds of debt moratoria

Additionally, "influentials" typified by Wall Street's Felix Rohatyn have floated a related proposal, suggesting that up to 50 percent of all current Third World debt be juridically written off, and put on a long-term basis. Around the Brandt Commission, interviews with their experts reveal, there is a similar consensus that the first task of a revamped IMF or new world central bank would be to systematize guaranteed interest payments on approximately $350 billion worth of debt, after this debt had been rescheduled on a 10 to 20 year basis.

The lip-service given by these anti-growth forces to the necessity for some kind of debt moratorium raises the most important question the Non-Aligned summit must not waver on: What is the difference between the financial "moratorium" process the BIS and IMF are pushing, and the type of moratorium associated with international economist Lyndon LaRouche and the 1976 Colombo Non-Aligned resolutions?

The kind of debt moratorium the proponents of a New Bretton Woods are holding out to the Third World is a financial reorganization which would only occur *after* a top-down financial dictatorship has been consolidated under BIS control. Such a "moratorium" would not pave the way for needed, substantial volumes of new lending, but would be used by London and Switzerland as the juridical basis for extracting interest payments from export earnings and virtual elimination of any government expenditures towards internal development. In writing off some large portion of old debt, the new world central bank would tighten its political control over all financial institutions able until now to generate credit. "Let's make a clean sweep of things," is part of the attitude behind this type of "moratorium," but only under terms which maintain London, Switzerland and the old private fortunes of Europe as the center of political control over world finance.

Under such conditions, the world banking system would be smaller, as would the world economy, and the nations of the developing sector would be reduced to bestial servility under British-Swiss control.

Göran Ohlin, Brandt Commission Secretary

The following interviews were conducted in January by European Economics Editor Laurent Murawiec in order to document the attitude of the Brandt Commission and World Wildlife Fund toward the developing sector. From an interview with Göran Ohlin, Secretary of the Brandt Commission (the Independent Commission on International Development Issues), and professor at the University of Uppsala, Sweden:

The Mexican crisis . . . has been immensely pedagogical. . . . There is and there is going to be a drastic cutback of new lending, a colossal reduction in the importing capacity of developing countries. It has already been reduced by $100 billion in the last two years, we calculated. . . .

We will attempt, in the new document that will be published in February [from the December Ottawa meeting of the Brandt Commission] to focus on the immediate financial problems of the creeping debt crisis. . . . [These proposals include an emergency meeting of the governors of the IMF to decide on means of increasing global liquidity; a major creation of SDRs and their allocation; a decision that the IMF will borrow directly on the market; a doubling of IMF quotas; and authorization of the World Bank to lift from 10 percent up to 30 percent the ratio of its loans that can go to "structural adjustment."—L.M.]

We are not proposing a world debt conference. Situations are specific. Attempts to discuss general principles for debt forgiveness are doomed. And, don't exaggerate the debt problem. There is a lot of disaster pornography going on these days. . . . Joint debt negotiation is relevant. . . . But look, the Club of Paris [creditors' committee] is overworked, but we have a good record at debt renegotiation, both private and official. No one wants to replace the case-by-case approach by sweeping, across-the-board measures. . . .

Don't worry about the repayment of debt. Nobody wants the debts to be repaid—that would be the end of the trade of the Northern nations. But what is needed is that debt payments be recovered, that interest be honored, the debt rolled over in an orderly manner. The task is not insuperable.

A debtors' cartel? Given its nature, the Brandt Commission could not support such a confrontationist idea. We are very anxious to keep the conflicts as low as possible. The Latin Americans are puffing themselves before negotiations; I doubt they are serious. In any case, the IMF is aware of this. Often the Fund is dismissed as though it was staffed by imbeciles or Leutwilers. No, no.