G-24 pursues new monetary system but postpones joint debt action

by Kathy Burdman in Washington, D.C.

Representatives of the Group of 24 developing nations, at a press conference following their semi-annual meeting at the IMF in Washington April 27, endorsed the call by the Non-Aligned nations at their New Delhi summit this March for "an international conference on money and finance." There is "an urgent need for reforming the international monetary and financial system," stated the communiqué issued by the Group of 24 (G-24).

The GATT scheme

However, in Article 12, the communiqé contained a specification which could result in an all-out war on the practice of economic dirigism, by linking a nation's access to credit to its trade policies. The World Bank, IMF, and General Agreement on Trade and Tariffs (GATT) bureaucracy will undertake a joint study, the communiqué states. Its focus, according to a World Bank official, is to *use IMF conditionalities* to enforce GATT "free trade" policies. At present, he complained, GATT has no enforcement powers. The IMF could compel members to more quickly and thoroughly drop trade barriers, which in actuality are an indispensable prerequisite for their economic development.

Pakistan's Khan commented, "You may say I introduced it," referring to this part of the communiqé. Indian delegates attacked the plan as fostering trade policies inappropriate for underdeveloped nations. U.S. Treasury Secretary Donald Regan, in an unpublicized section of his speech to the G-24, however, specifically endorsed this approach.

Monetary reform

The communiqué announced that the G-24 finance ministers, who negotiate the interests of the Group of 77 developing nations at the IMF, will establish a task force to write a new program for world monetary reform. The G-24 is led by Egyptian Finanace Minister Salah el din Hamed, and its vice-chairmen are Indian Finance Minister P. K. Mukherjee and Argentine financial representative Alberto Sola. The task force would be composed of the G-24 leadership, plus Mexico, Nigeria, Pakistan, and Trinidad, and Tobago, the communiqué stated.

Representatives from India and Egypt, who were the chief spokesmen for the Non-Aligned drive for world monetary reform, made it plain at the G-24 conference that they are not calling for a "new Bretton Woods" system as proposed by the IMF and the Bank for International Settlements, but plan to give nation-states the power to revamp the entire IMF system which is now wrecking the world economy.

Indian Finance Ministry Secretary M. Narasimham told the press bluntly that the G-24 reject the ideas of the Brandt Commission and Donald Regan for an IMF-based new system. "We want to look at the whole structure of the international system," he stated. "The currency system has grave inequalities and is inadequate. The Bretton Woods system has proved itself incapable of meeting the realities of present economies. The time for piecemeal tinkering with the system is past. Something much more extensive must be done. The Bretton Woods system is not relevant."

In reply to a question from this reporter, Mr. Narasimham made it clear that the new G-24 task force, as is the G-24, will be "independent of the IMF" and that "we would not rule out holding the new conference outside the auspices of the IMF."

The G-24 communiqué also implicitly criticized the Ditchley Group creditors' cartel and the U.S. Federal Reserve's new policies limiting credit to the Third World, by denouncing those who wish to "impose restrictions which would impede the flow of financial resources to the developing countries."

Spokesmen for the G-24 also said Indian Prime Minister Indira Gandhi has sent personal invitations to many heads of state of both North and South to attend the U.N. General Assembly in New York in September, for discussions on economic and other issues.

The debt question

As spokesmen for the British Commonwealth at the meeting sneered, however, the Non-Aligned leaders are running out of time to enforce the implementation of a new system, by failing to wield the Third World's $700 billion debt as a "debt bomb" to bring the OECD nations to terms.

When the IMF Development Committee met on April 28 and 29, the Group of 24's proposal was all but ignored, and received no mention in the final communiqué. The Development Committee, composed of 21 finance ministers of both

North and South and chaired by Pakistani dictator Zia's Finance Minister Ghulam Ishaq Khan, is dominated by the British Commonwealth and its U.S. deputies in the Treasury Department. The Development Committee is mandated to deal with debt and all issues affecting Third World development, but did nothing of the sort.

Indian delegate M. Narasimham, in his speech to the full Development Committee on April 28, made a sharp demand for the new monetary system to be put squarely on the IMF's and the entire world's agenda. "The Non-Aligned summit has called for an early convening of an international conference, with universal participation, on money and finance for development," he stated. "The time has come for a thoroughgoing and comprehensive look at the structure of economic and financial relationships."

However, the Non-Aligned call was easily beaten down by the alliance of U.S. Treasury Secretary Donald Regan, British Chancellor of the Exchequer Sir Geoffrey Howe, and Pakistani comprador Ishaq Khan. "We are absolutely against any conference which proposes 'universal' participation, meaning the communist countries, and we are especially against any conference held outside the existing institutions of the IMF and World Bank," U.S. State Department Office of Developing Nations Finance Director Adrian Basora told *EIR*. The initiative was stricken from the main communiqûe.

The fact that the Third World cannot even mobilize the political majority to discuss a conference shows their "real weakness," laughed R. Lawrence, the British representative of UNCTAD who attended the meeting. "The real question here is not the new conference, but how can the Third World get anything out of a new conference?" Lawrence predicted that there would be "no world financial crisis before the fall, at the earliest," and that the conference would take place no sooner than that, if ever. "Who knows what will happen to these countries in the meantime?" he laughed.

As long as the Third World has failed to organize itself into a debtors' cartel, the British-run Group of 10 industrial nations will likely never be brought to restructure the world debt system on Third World nations' terms, with significant provision of new credits for development. "The developing countries have no political solidarity, and no clout," Lawrence said.

While Indian, Egyptian, and other Non-Aligned political leaders are ready for global debt action, the leading major Latin American debtors, especially Brazil and Mexico, "until now have been unwilling to discuss joint arrangement with the less developed countries in the Non-Aligned leadership, for the debt problem," said a top Egyptian spokesman bitterly.

"We have looked into this alliance possibility since Mexico got into trouble last September, but they were not forthcoming. Mexico and Brazil especially have special relationships and deals with their U.S. commercial banks, and the banks have special back-up of the U.S. government. The Latin Americans do not want to disturb those relationships." This is a widely held view, but by no means fully accurate, in view of mounting evidence that the Latin Americans have mounted a façade of allegiance to the rules of the game while secretly preparing the economic and political "infrastructure" to support a "debt bomb."

Mexican and Argentinian representatives at the Development Committee meeting, who speak for the pro-IMF factions of their governments, seemed to confirm the Egyptian assessment. "There will be no collective renegotiation of the Latin American debt," Mexican central bank Deputy Director Ariel Buira told *EIR* at the IMF meeting. "We have refused the requests to do so by other developing countries. We are taken care of; we have negotiated our own cases already." "There is no possibility of a debtors' cartel at this time," asserted Argentine financial representative to the U.S. Alberto Sola.

However, as another delegate pointed out, the reason that not a single leading Mexican or Brazilian attended the meeting, was that Brazilian Finance Minister Galvéas and Planning Minister Delfim Netto were in Mexico with their coun-

A battle over Rohatyn's rescheduling proposal

EIR correspondent Kathy Burdman created a furor over the Rohatyn debt restructuring scheme at the IMF Development Committee meeting. Reached for comment on ul-Haq's and Rohatyn's activities, Indian official M. Narasimham laughed that "ul-Haq and Rohatyn just want to bail out the banks." He likened the Rohatyn plan to the Treaty of Versailles. "That's exactly the parallel," he said. "They want us to pay the IMF reparations, as Germany was made to do at Versailles. Even Keynes knew that would not work."

At the public press conference following the Development Committee meeting April 29, Burdman forced Pakistani Finance Minister Ishaq Khan to deny categorically any involvement by his government in the Rohatyn scheme, prompting the ridicule of the financial reporters present, who were well aware of Mr. ul-Haq's promotion of the idea.

"There is almost no mention of the world debt crisis in this communiqué, and you say in paragraph 11 that the only way to deal with it is for the IMF to ensure 'adjustment of the domestic economies of the LDCs,' i.e., IMF austerity. Given those facts, can you confirm or deny that the Zia government of Pakistan, which murdered Prime Minister Ali Bhutto due to his support for the new world economic order, is promoting terparts negotiating a bilateral trade barter deal which could serve as part of that "infrastructure (see article, page 4)."

Recovery mania in Washington

As Britain's Mr. Lawrence gloated, the Non-Aligned's major the problem, as long as they cannot enforce debt action themselves, is that the U.S. administration under the sway of George Shultz and Donald Regan, "is at odds with the rest of the world and does not want to recognize the magnitude of the crisis." Regan and Fed Chairman Paul Volcker, he said, have sold President Reagan on the illusion that there is a U.S. recovery, and that "the recovery will deal with the Third World's problems. Therefore, the U.S. won't negotiate on debt issues."

Asked by this reporter for the American reaction to the Group of 24's call for a new world monetary conference, Treasury Secretary Donald Regan barked, "You expect me to talk about *that*?"

Aside from the Secretary's Marine sergeant mannerisms, the recovery mania is being spread all over Washington in a way precisely calculated to keep President Reagan off guard to the danger of the impending world financial crisis. A private IMF study, a pre-study for the Fund's annual May World Economic Outlook, which shows a marvelous recovery in the OECD nations, was circulated privately at the Development Committee conference for gullible ministers. "The world economy is improving faster than expected a few months ago," the report lies. "The declining inflation and interest rates in 1982 appear to have laid the basis for a return of confidence and a more sustainable growth of output." The IMF study also lied that LDC debtors should be "able to meet interest payments in the years immediately ahead if they reform their economies."

Asked for his comment on the G-24's call for a new monetary conference, the usually dour IMF Managing Director Jacques de Larosière beamed, "Oh, that won't be necessary. The recovery will take care of the debt problem."

Donald Regan, in his speech to the Development Committee, which (understandably) was not made available to the press (someone might check his economic forecasting record), gave a "glowing account" of the U.S. recovery and all it will do for the world, according to a furious member of the Indian delegation.

"Regan said that we are very, very upbeat on the recovery and upbeat on its impact, which is clearly emerging, on helping the rest of the world economy," U.S. World Bank Director James Burnham told *EIR*. "Regan said that other OECD countries are beginning their own recoveries, and said the world financial situation should be dealt with on the basis of the five-point U.S. program previously announced" by the Treasury, under which debtors are told to adhere to IMF austerity conditions to solve the problem.

Arbiters by default

"The fact of the matter is that the LDCs are too stupid to figure out that if they *did* get us to the bargaining table on the whole world financial system, then they could dictate their own terms," laughed former N.M. Rothschild partner Richard Dale, a consultant on international banking at the Brookings Institution in Washington. "They could simply threaten to default if we don't extend the debt to 20-year maturity and give them 4 percent interest rates. So as long as that potential exists, there will be no such world monetary conference as the Non-Aligned propose."

Aside from the implication that the British hope to pick off, by military coup and other political means, the leaders of the debt bomb movement before they would accept a world conference, the general British strategy is to try to stave off the current debt crisis as long as possible. The British hope that they, should both the Third World and the dumb Americans fail to act as required, will become the arbiters of the world crisis, literally by default.

"Confidentially, the U.S. recovery doesn't look very good to me," smirked UNCTAD's Lawrence, "which means Bra-

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the world reorganization plan of Felix Rohatyn, under which the IMF or World Bank or some sister institution would take over the unpayable debts of the LDCs? And that, although the Zia government sells this to LDCs as 'debt relief,' would this not in fact be the same as the 1918 Treaty of Versailles, under which the IMF would use the debt paper to demand reparations of LDCs and control their economies? And thirdly, is it not the case that your planning minister, Mahbub ul-Haq, is doing this on behalf of the British Commonwealth and its debt collection policy?"

Pakistani Finance Minister Khan replied, "We are much too practical to promote such schemes. There is over $700 billion in debt. What institution could possibly purchase that amount?" He pounded the table. "I deny it categorically! We wish to stay within the IMF framework—they force us to make adjustments, and they get us more bank loans. That's as far as we will go."

IMF spokesman Guitian intervened: "I resent your categorization of IMF programs as austerity programs." The press laughed. Khan grabbed the microphone: "Banks are not charities. If a country incurs a debt, it must pay the debt." The correspondent for *South* magazine (an outlet for Brandt Commission policies) asked, "Isn't it true that the IMF is discussing a new mechanism for debt rescheduling?" Khan replied, "When this young woman [Burdman] asked me about that proposal yesterday, I went and found Mr. ul-Haq, and he denied that he was promoting any such thing."

A. A. Clausen, president of the World Bank, jumped in to declare, "A macro approach to Third World debt is inappropriate. It should be handled case by case. We all have aches and pains in different places."

zil and Mexico cannot hold their debt payment packages together infinitely. By the fall, these agreements could fall apart. Then the U.S. will be in big trouble, without a policy."

At that point, he indicated, the British might be perfectly willing to hold a "new Bretton Woods" conference, to give the IMF even greater powers over both the Third World and the by-then collapsing U.S. economy. "Then, anything goes."

By the fall of this year, the British hope, the Reagan administration will be incapacitated by a domestic political crisis and numerous foreign policy failures, including military fiasco in Central America, and an utter policy failure on the world debt crisis. The Third World, which at this time still has the potential to negotiate with the U.S. as a fellow sovereign nation-state *without the IMF*, will then be without a viable U.S. negotiating partner. At that point, there could be little obstacle to convening some IMF-run Bretton Woods II conference.

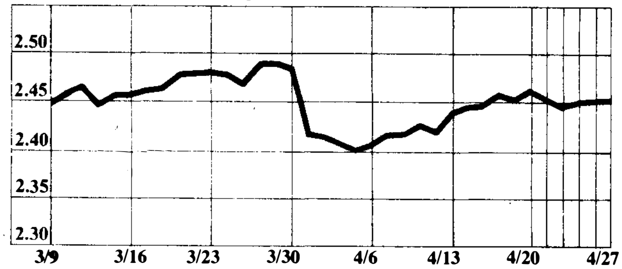
That they may impose their own renegotiation of the debt mountain under IMF auspices, the British, and particularly their Commonwealth agents, have already come up with their own plans for circulation. Pakistani Economics and Planning Minister Mahbub ul-Haq is circulating his own version of the plan by Felix Rohatyn of Lazard Frères for the IMF to take over $300 billion or more of the Third World's bankrupt short-term debt and convert it into long-term bonds, as Rohatyn did under New York's Municipal Assistance Corporation (Big MAC) austerity program. Ul-Haq spent most of this week at the Brandt Commission-run Overseas Development Corporation in a conference held by the British Sussex University- and Tavistock-run Society for International Development. The closed meeting, attended by top Ditchley Group bankers such as George Clark of Citibank and Robert McNamara, discussed how to convene a "Bretton Woods II" conference to push an IMF-run debt bailout plan, Mr. ul-Haq's wife Bani Haq told a reporter.

Brazilian Planning Minister Delfim Netto is also ready to demand the Rohatyn plan, on the threat that Brazil will not pay its debts, a Brazilian journalist claimed at the Development Committee meeting. "Delfim wants a stretch-out, and he agrees with Rohatyn," the sources said. "That is obviously why Brazil is deliberately not paying some of its debts. Mexico is not paying either," he pointed out. "It is not so much that Delfim has a deal with the U.S. government, which officially does not want to discuss a stretch-out plan. Delfim is making a deal with the U.S. banks, which of course are not unrelated to the U.S. government. Rohatyn is a banker. And [Morgan Guaranty Latin America Executive Vice President] Tony Gebauer wants the plan, too. Gebauer is proposing that the World Bank get involved, and issue Brazil long-term 20- to 30-year bonds at 9 percent rates, to be used to pay back all of Brazil's short-term commercial debt. That way we won't have to keep coming back to the brink all the time." The particular formulation of the Rohatyn scheme was first put forward last December by Giovanni Magnifico, Director of International Operations at the Italian central bank.

Currency Rates

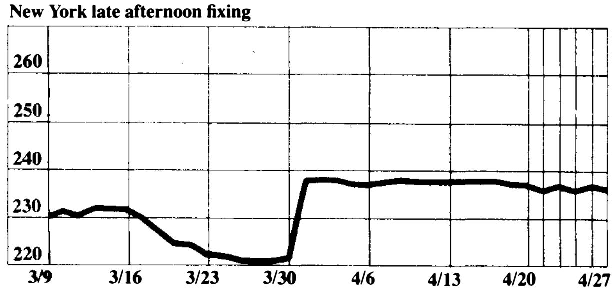
The dollar in deutschemarks

New York late afternoon fixing



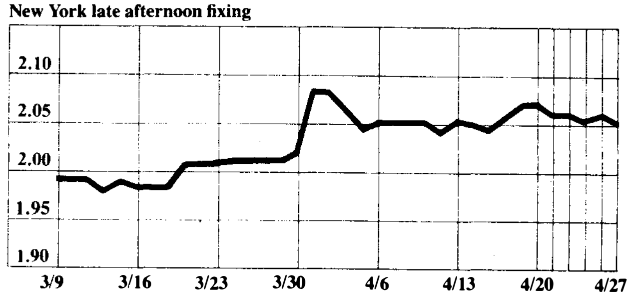
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing