IMF bill in big trouble

Congress is deadlocked on the U.S. bill which would give the Fund an $8.5 billion bailout.

The bill under which the United States would give an $8.5 billion bailout to the genocidal International Monetary Fund is in big trouble in the U.S. Congress. The IMF bill "won't make it through conference committee" between the House and Senate, a source at the Federal Reserve complained to *EIR*.

The House and Senate versions of the IMF bill, H.R.2957 and S.659, are so different that the conference committee whose task is to reconcile them may collapse altogether, Volcker fears. Volcker wrote the Senate bill, but a spate of amendments were added later by House Democrats in their bill.

Volcker's Senate bill is bad enough. Beyond the $8.5 billion bailout, it grants the IMF *credit controls* over U.S. banks' foreign lending. The IMF is given power to tell U.S. banks to classify debtors bankrupt, and call in the loans. The bill calls for U.S. banks to set aside "special bank reserves" for bad loans—when the IMF says a loan is bad. This means a bank loss of $100 million in income for every $1 billion in debts the IMF classifies.

The first relevant numbers were just released this month by Citibank, in a normal SEC filing, showing a 54% increase in non-performing loans to Latin America, at $1.7 billion as of June 30. This would mean a $170 million income loss under the bill.

The House language is worse. The House version is the first legal step toward committing the United States to Lazard banker Felix Rohatyn's plan to turn the IMF into a global version of Big MAC. The amendments were written by House Banking Committee chairman Fernand St. Germain (D-R.I.) and Rep. Charles Schumer (D-N.Y.) in consultation with Sir Peter Cooke, a BIS official also Bank of England chief regulator.

Title III of the bill, as amended, will force the U.S. IMF director to vote against any loan which is not "stretched out" over 20 to 30 years, as Rohatyn proposed, giving the IMF long-term authority over debtor nations' economies.

Title IV would force immediate writeoffs of debt by U.S. banks, much more extensive than the Senate's. Under the House version, not only bad loans, but *any loan which has ever been renegotiated*, will need penalty reserves—which includes most of U.S. banks' $100 billion in loans in Latin America. That would put U.S. banks' losses on the order of $10 billion immediately.

Now both the Fed and Treasury, Treasury officials confirm, are trying to roll back the House amendments, and threaten that if the House won't give them up, the Senate will kill its own bill.

"We don't like the House version of the bill, with all the Schumer-Rohatyn stretch-out language in it," said the Fed official. "Treasury doesn't like it. The administration doesn't like it. So the Senate won't like it. The two bills as they stand now are too different. The Senate will stand fast. Unless the liberal Democrats in the House give up their provisions, the bill won't make it."

Meanwhile, congressmen who oppose the IMF altogether plan to use the brawl to kill the bill.

Asked what would happen if the IMF bill is killed, the Fed man said, "Then there will be a big international financial hoopla. Apparently, congress is willing not to pass the bill and live with the consequences of international financial crisis. It won't look good in Latin America for the IMF."

The IMF legislation is by no means dead yet, however, and massive U.S. constituency pressure on Congress is still necessary to kill it.

Even before Congress returns Sept. 12, House and Senate Banking Committee staff have been in marathon meetings since Labor Day to try to resolve differences. "They are running into a timing problem," one congressional aide said, "because when congress comes back it will be loaded with other bills."

The administration will back down and go with the House bill, he said, if necessary. "There will be a conference agreement." The administration will then immediately move to introduce an emergency 1983 appropriation for the IMF "to any convenient bill" to get the IMF cash through immediately, he said.

But "nothing is decided," he cautioned. "The fact that the IMF annual meeting begins Sept. 27 and that Congress at that point will probably not have acted on the cash appropriations part of the bill means trouble. If there's a lot of political flack from Latin America and other debtors against the IMF at that time, it will mean real problems for the whole IMF bill."