sue economic adjustment goals in an orderly way. . . .

Ideally, the adjustment programs *should* allow for a shift in resources to the export sectors. This would help increase the competitiveness of the exported products and probably diversify the export base. A rapid drop in lending to these countries prevents this diversification by denying access to necessary imports as well as to capital for required investment. And thus far, investment has been declining in almost all the high debt countries. . . .

These developments and trends make it evident that despite some progress at coping with developing country debt problems, there is yet a long way to go. . . .

Last fall, the Commerce Department hosted a meeting between U.S. banks, multinationals, exporters and other members of the administration to review problems in trade finance and investment in high-debt countries. We asked participants to give us their views on how to deal with these problems. Let me briefly summarize some of these ideas:

They suggested that ways be found to reduce the risks and delays in Exim or private bank lending, by enabling the foreign borrower to pledge future export receipts to repay the loan; by collateralizing loans with warehouse receipts of products actually shipped to the U.S.; to include strategic materials which Exim or private banks would use to cover risks; and by having Exim increase its coverage of interest payments in return for the private banks absorbing more risk on loan principal (this would be designed to prevent bank loans from being classified as "non-performing").

We have also had suggestions on how to facilitate trade without the direct use of dollars—either through clearing arrangements as many debtor countries are doing at present, or by setting up mechanisms for use of local currencies. For example, allowing overdue purchases of goods in the debtor country, or against capital investments in the debtor country. . . .

. . .Very high profit margins on new loans endanger the borrower's ability to repay, and ultimately can undercut the quality of the banks' developing-country loan portfolios. In other words, in certain instances, high "risk premiums" become self-defeating. *A flexible approach to the developing-country interest rate question is therefore necessary*. . . .

On the other hand, lowering of interest rates may reduce the incentives needed to keep banks lending. Consequently, *some banks have suggested that they would allow some interest payments to be made in local currency*, provided there was a guarantee of future convertability into dollars. This could reduce the amount of dollar borrowing required and, most important, *would insulate trade credit lines from further reschedulings by making dollars available for imports*. . . .

. . .As developing country debt problems will be with us for some time to come—*establishing a mechanism that would insulate trade credit lines from payment difficulties can re-establish the lifeline needed to help developing countries grow and repay their debt*[emphasis in original]. . . .

Conference Report

The creditors' cartel looks to countertrade

by Stanley Ezrol

The Swiss banking oligarchy sponsored a small conference at Washington's Mayflower Hotel on Jan. 24 to announce their "final solution" to the Ibero-American debt crisis, taking advantage of the failure of the debtors to form a debtors' cartel against the bankers' austerity. The conference, titled, "Beyond the Debt Crisis: New Directions in World Trade," was sponsored by the London *Financial Times* and *International Reports*, the intelligence magazine founded by Swiss banking consultant Günther Reimann; speakers included Federal Reserve Board Governor Henry Wallich, the Basel Bank for International Settlements' representative in Washington; David Devlin of the Ditchley bankers' cartel; and Undersecretary of Commerce Lionel Olmer, who keynoted the event to give the administration's seal of approval to the policies announced.

The Mayflower Hotel event culminated the process launched by a Commerce Department conference with David Rockefeller's Commission on Latin American Debt last autumn, which resolved to use the debtors' illiquidity as a pretext to strip the assets of the Third World. David Devlin, speaking for the Ditchley cartel, said bluntly that the Ditchley "information" service is not "innocent" because when it reports that a country has "broken the IMF conditionalities," that country is cut off from all loans.

Wallich, opening the conference, explained that the "period of adjustment" now to be initiated was only made possible by the failure of the Ibero-American nations to repudiate IMF conditionalities. "They're going through real agony," he said of the debtors under the IMF austerity program, but "I don't think we need have any great qualms about the hardships of these countries."

Wallich thereby confirmed the charges of *EIR* founder Lyndon H. LaRouche, Jr. in a Jan. 20 press release "IMF Bill May Be Unconstitutional," that the bill's authors are involved in a plan to impose genocide through "famine, epidemic, and related conditions." As *EIR* reported Jan. 17, Wallich is the author of a portion of the IMF bill which would cut off all credits to the poorest nations by imposing penalties on lenders to them.

Wallich and other speakers including Edward Brau of the International Monetary Fund, Devlin, and Olmer, praised the example of Mexico's compliance with the IMF at the cost of officially projected drastic increases in hunger for 30 per-

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cent of an already impoverished population as the key evidence that their cartel's policies can be implemented.

The creditors' cartel plans, in cooperation with the International Monetary Fund, to convert existing Third World Debt into various negotiable assets to be controlled by the Swiss-led cartel. Examples of such "countertrade" arrangements cited by Commerce Undersecretary Olmer included "enabling the foreign borrower to pledge future export receipts to repay the loan; collateralizing loans with warehouse receipts of products actually shipped to the United States . . . allowing overdue payments for past imports or interest to be credited against purchases of goods in the debtor country, or against capital investments in the debtor country," and the "suggestion that the U.S. exchange agricultural goods for strategic materials."

Under the Commerce Department code phrase "insulate trade credits from financing difficulties," after the old debt is turned into assets to be seized, controlled levels of new credits are to be made available to guarantee that there can be a continuing transfer of resources from the Third World to sustain a "recovery" in the advanced sector. Wallich explained that recovery depended on the Third World maintaining a trade surplus with the advanced sector at the expense of continuing the "Mexican example" of agonizing reductions in consumption.

These "new credits" will actually not be credit, but go under the name of "countertrade," the polite term for forcing the Third World back into a feudal system of non-credit barter. Wallich and the IMF having stated that credit will be curtailed, the following five panels of the conference were devoted to countertrade. Testimony was heard from Crédit Suisse, the InterAmerican Development Bank, several Japanese trading companies, and Leo Welt, consultant on countertrade to the U.S. Ditchley banks on the future world barter system.

Christine Raemy-Dirks, speaking for Crédit Suisse's countertrade subsidiary Finanz AG Zürich, described the use of forfeiting, project financing, and countertrade barter. But in the end, she said, the only solution for the debtors is "hard work, intensified efforts to export, and a halt in the growth of consumption."

From the Jan. 24 address in Washington, D.C. by Federal Reserve Board Governor Henry Wallich:

. . .We are past the crisis phase and into the adjustment phase. . . . Nobody has repudiated, most have gone to the International Monetary Fund. . . .

When you see the problems that our country, the United States, is having in reducing its budget deficits, you can only lift your hats to the countries that are reducing their budget deficits at the behest of the IMF. They're going through real agony to attain some control over the problems that we don't know how to face up to at home. At the same time, I don't think we need have any great qualms about the hardships of these countries. They're not imposed by the IMF. They're imposed by the fact that their countries have run out of money and credit. And if they didn't have the IMF, then exactly how would they be better off? They'd have somewhat less money, they'd have somewhat less credit, and somehow the facts would impose an adjustment which I think would be a good deal harsher than the conditions imposed by the IMF. . . .

Countries that you didn't think of as being very strong are beginning to develop a trade surplus. And, in some cases, we hear a country representative say, 'We have a trade surplus. That means we're making a resource transfer to the creditor.' Yes, the poor borrower is making a contribution to the creditor. Well, that's completely wrong. The answer is that the proper measure of a net resource transfer is not the trade balance, it is the current account. The country doesn't think that it is paying for services on debt as well as for goods. If it's paying interest, well, it's paying for the services of the capital that is, hopefully, working productively in the country. That is the proper measure, and hardly any developing country is in surplus, and shouldn't be in surplus. . . .

From the Jan. 24 presentation by David Devlin of the Institute for International Finance (the Ditchley cartel):

. . .Yesterday, we went 'on-line' with our country evaluation system. . . . This means that with a local phone call our members can access both historical data and our evaluations of 25 countries. . . . This is not as innocent, bland, and irrelevant as it might sound. . . . For instance, if we report that the 1984 Mexican ratio of budget deficit to GNP is 20 per cent, it means they have broken the conditions of the IMF agreement and everything falls apart. Fortunately, for Mexico, that is not the case, and Mexico is becoming a model of adjustment. . . . The Institute will also become involved with the financial advisory teams on rescheduling and new money. . . .

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