World Bank enforces debt-for-equity grab

by Chris White

Since October of this year, the International Financial Corporation of the World Bank has been implementing experimental policies of grabbing especially Third World equity, in private industry in particular, in exchange for debt. Under this pilot scheme, the World Bank has reaffirmed its role as clearing house and enforcer for the International Monetary Fund, and for the allied private banks which make up the creditors' collection committee known as the Ditchley Group.

Additionally, the World Bank is moving in to help out the banks that are part of the creditors' cartel, as those banks prepare their year-end statements for their auditors and the regulatory agencies. Now, October's pilot project is being applied more generally against the debt-strapped nations, especially of Ibero-America.

The pilot project, known as "The Korea Fund," was set up immediately after participants at the annual conferences of the International Monetary Fund and World Bank had heard IMF director Jacques de Larosière, Bank of America head A. W. Clausen, and Henry Kissinger outline what policy for the next year would be. They had specified, as Kissinger did in his speech to the Mocatta Metals September birthday gathering, and de Larosière earlier in Austria, that the principal obstacle to what they considered continued progress in the international economy, is the existence of the nation-state as an institution.

The resulting establishment of pilot-project debt-for-equity schemes within the World Bank was the implementation of the policy they had outlined.

The Korea Fund was capitalized to the tune of $60 million for just this purpose, under the ostensible prodding of the First Boston Bank. This bank is one of the principal movers on the U.S. side of the Ditchley Group's operations, and is the private bank which handles banking operations for the International Monetary Fund. The $60 million subscription for equity purchases—in debt-strapped private Korean corporations—was backed up with the safety net of a World Bank International Financial Corporation offer to put up 15% of the funding, if private investors were not forthcoming.

Third World nations have been forced to the wall during the last years to pay their debt. Their economies have been gutted by the continuing effect of high interest rates, and by the continuing appreciation of the dollar against local currencies. This, in turn, has permitted the collapsing United States economy to maintain the pretext of a recovery, through the loot thus gouged from populations outside the United States. Now the proceeds of that looting are to be reinvested in purchasing the corporations, and ultimately the nations, that have been thus bankrupted and destroyed, at knock-down prices.

The Korea Fund pilot project, according to leakers at various Washington, D.C. cocktail parties, is now going to be expanded. Similar operations are now to be launched against especially the private sector corporations of Mexico and Brazil, as the debt-for-equity swindle is extended into the major nations of Ibero-America.

Under its new director, Sir William Ryrie, former senior career officer in the British Treasury who took over from Hans Wuttke of the Warburg interests this October, the agency already has paid in capital of $650 million available for expansion, and is planning to double this to $1.3 billion. This fund is to be supplemented with borrowings. The IFC intends to directly invest $7 billion in $30-billion worth of projects over the next five years. The leverage of this investment pool is significantly enhanced by the massive over-valuation of the dollar vis-à-vis the equity of the local corporations that will be invested in, denominated in local currencies.

IFC investments are primarily targeted into the areas of mining and private agricultural projects in Third World countries. These projects can be drug production projects, for when private-enterprise agriculture is encouraged, as in the case of Jamaica, for example, or other Central American or Caribbean littoral nations, it is drug production that is meant. In the past, World Bank officials have not been shy in discussing these questions. They argue that expanded drug production—for U.S. markets—provides ready access to hard-currency earnings permitting debts to be paid under depression conditions.

For Ibero-American nations, the IFC is reported to be studying the idea of setting up a special fund, a kind of investment trust, to help convert private-company debt to equity. Following the "Korea Fund" model, the fund would be jointly financed by Western banks and the IFC. In a parallel and related development, the World Bank is also moving to implement a scheme, proposed most recently by Henry Wallich of the Federal Reserve Board of Governors, to establish a program "to insure foreign investors in less developed countries against political risks."

Both of these schemes can be characterized as "foot-in-the-door" initiatives. But their implementation will begin to sound the death knell of the sovereign nation-state, especially in the so-called developing sector. As Henry Kissinger specified in his Mocatta Metals speech last September, the world will be turned back to the kind of 19th-century economic system which Kissinger and his friends call "liberalism," but is more correctly known as classical imperialism.

It is not accidental that news of the World Bank's expanded activities on behalf of, and together with, the Ditchley Group creditors' cartel, is made public at precisley the moment that what is called the debt crisis goes into a new phase, and U.S. commercial banks, are once again faced with their quarterly crisis, putting their creative writing departments to work to coming up with a balance sheet of assets to liabilities which will maintain the appearance of solvency for just a bit longer. The December tally on this account is the most severe of the year: The banks have to come up with a yearly statement.

Now it becomes increasingly clear that the intent to swap holdings of non-performing debt for holdings of equity in, first, Third World corporations, and then Third World nations themselves, is how the banks, the regulatory agencies, the Federal Reserve, and the international institutions hope to unload their non-performing liabilities into the asset side of their accounts.

Meanwhile, Peru, no longer able to maintain the fiction that it is capable of paying its debt, is now threatened with seizure of its assets overseas by those who employ the *New York Times* as their mouthpiece. This same threat has been deployed against Venezuela in efforts to force that government to back up the indebtedness of its private sector. Argentina is coming down to the wire in its latest effort to come up with a debt refinancing package that will satisfy both banks and the IMF, and has agreed that litigation arising from disputes about the debt should be handled in U.S. courts.

To back up the asset grab, a new lobbying group has been formed within the United States. To be known as the "Bretton Woods group." The group is designed, according to the *Wall Street Journal*, to "muster public support for the International Monetary Fund and World Bank."

The organizers of this are the same bunch of degenerates responsible for the wreckage of the United States and the world, particularly in the period since the assassination of President John F. Kennedy. Among the organizers are Harold Brown, Jimmy Carter's secretary of defense; Lloyd Cutler, Carter administration counsel and prominent opponent of the U.S. constitutional form of government; Robert Strange McNamara, leader of the Malthusian genocide lobby within the United States and business partner of Henry Kissinger; former Carter Treasury Secretary G. William Miller; Robert Strauss of Billygate fame; and Elliot Richardson of the liberal wing of the Republican Party and the Russophile arms-control lobby around the United Nations Association. Co-chairmen of the group will be Henry Fowler, partner of Kissinger and McNamara at Goldman Sachs and a former secretary of the treasury, and Charles Walker, another former Republican Treasury official.

This new organization overlaps significantly with such other outfits as the Citizens' Committee to Cut the Budget, also chaired by Fowler. Its members are united in their insistence that the United States defense budget be cut, and that the President's Strategic Defense Initiative be scrapped. It also happens to be the case that this collection of individuals represent the institutions who market and hold U.S. government debt. They insist that the United States, like Third World countries they have destroyed, cut all elements of its budget to safeguard their right to collect interest payments on $160 billion in U.S. debt over the next year.

It is about time that the lessons were learned from all this. The World Bank and IMF are destroying the nations which ought to provide, and often want to provide, a global base of support for U.S. policy. Those nations are being forced into the arms of the Soviet Union as they are left to die, or in the case of the nations of Western Europe and Japan, into suicidal trade wars with the United States in competition for declining world markets. Furthermore, the people who give most aid and comfort to such policies within the United States, apart from the psychotics and ignoramuses of the free enterprise cult, as the above listing shows, are also the people who oppose everything of good that the United States as a nation has ever represented in its historical existence, and have devoted their lives to destroying that legacy. But their views continue to be considered part of the spectrum of national consensus in such areas as economic policy. This must be changed, before the United States is itself put under the World Bank's debt-for-equity schemes, in the service of resurgent Russian imperialism.