IMF Or The Grand Design: America Must Choose

A deadly battle has broken out between those who propose to guarantee world peace through industrialization and rapid economic growth — a potential opened by the signing of the historic Bonn-Moscow 25-year economic protocol a month ago — and the debt collectors of the International Monetary Fund (IMF) and its hangers-on.

The protagonists in the "Grand Design" for global development have included, to varying degrees, Chancellor Schmidt of West Germany and Soviet President Leonid Brezhnev — the initiators of the Bonn-Moscow pact — oil-rich Saudi Arabia, President Giscard of France and an important faction of the Gaullist party, allied U.S. industrialists and certain Third World leaders.

Ranged against these forces is the IMF, led by British Chancellor of the Exchequer Denis Healey and his protégés IMF Director Johannes Witteveen and U.S. Treasury Secretary W. Michael Blumenthal. The IMF, which continues to be the international center of British colonial economic theory, in fact still runs the world monetary system, and will continue to block the Grand Design through its control of the world's credit lifeline until it is dismantled — *politically*.

As if to demonstrate its authority, during the first week of June an IMF mission walked into international negotiations on the explosive crisis in Zaire, demanding that the Mobutu government "accept outside control of Zaire's key institutions" in return for stretching out Zaire's overdue $2.5 billion foreign debt, the *Washington Post* reported June 4. The IMF's conditions amounted to "making him (Mobutu) a ward of the court," as one diplomat put it, and included IMF control of the Zaire National Bank and the "decentralization" — cut off — of war-torn Shaba province and other areas from the central government, each to be put under their own IMF fiscal administration (see "IMF" below). The Sudan, Turkey, Egypt, Peru, and other similarly strategic developing nations are all "hosting" such IMF missions at the present time.

This latest IMF austerity has been timed precisely not only to undercut the Africa, and specifically Zaire, policy of the Grand Design forces, but to stop such policies once and for all.

The June 9 issue of *Paris Match* magazine reported that during his mid-May trip to Paris, Saudi Arabian King Khaled discussed with President Giscard and French industrialists "plans to mobilize Saudi money for a world economic recovery," including development of the massive agricultural potential of Sudan and the rest of Africa. Khaled's second in command, Saudi Prince Fahd, will travel to Paris and Bonn June 20, where he will continue these talks with Schmidt, discussing in particular the "largescale transfer" of West German technology with Arab funds into Africa. Shortly thereafter, Chancellor Schmidt will begin a tour of Africa (see excerpts, below).

The United States government, which could tip the balance either for or against the Grand Design, is still paralyzed. The Carter Administration remains hopelessly split between a moderate faction around Secretary of State Cyrus Vance, U.N. Ambassador Andrew Young and certain corporate supporters of the Grand Design, and the Washington-based British faction led by Treasury Secretary Blumenthal and National Security Advisor Zbigniew Brzezinski.

Vance and Young continue to support "economic development to stabilize Zaire," as Vance told the press in early June, based on detente and an early SALT II agreement with the Soviet Union. But Blumenthal is throwing the power of the U.S. Treasury behind the IMF, demanding that the Fund have the right of "surveillance" over all sovereign governments. And Brzezinski has called point-blank on nationwide television for joint Western-Chinese confrontation against the Soviets in Zaire (see below).

In consequence, the emergency June 5 meeting in Paris of the U.S., France, West Germany, Belgium, and Britain on Zaire produced precisely nothing. David Newsome, a Kissinger appointee who represented the U.S. State Department at the meeting, refused to discuss development for Zaire and instead supported the IMF's demands. Worse, the meeting was to have made concrete proposals for a comprehensive economic development and security package for Zaire, and all Africa, for the June 12 OECD meeting in Paris of OECD economic ministers. If this meeting fails to bridle the IMF, the City of London will have won a strategic victory.

Leading the Grand Design

Zaire and Africa generally have become the centerpiece of Grand Design strategy for the simple reason that last month's invasion of Zaire's by British intelligence-sponsored mercenaries was a direct move to sabotage the 25-year Bonn-Moscow Economic Treaty. As this review has documented in depth, the "Katangan rebels" who invaded Zaire's Shaba province were in fact ex-security guards of the British Rothschild-financed Belgian mining company, Union Minière (see *EIR* Vol. V, No. 21, May 30-June 5, 1978).

Mr. Zulu, Director of the African Bureau of the IMF Secretariat told this magazine June 9 that the African

Bureau "knows nothing about" the Zaire negotiations with the IMF — "The entire meeting is being coordinated by Mr. DeGroot, the Belgian IMF representative, himself."

As Marc Ullman reported in the June 9 *Paris Match*, Saudi King Khaled and French President Giscard's plans for Africa are part of a global design to be coordinated with West Germany and, if possible, the U.S. An "agricultural and food development program for Sudan, realized and financed by the Arabs," Khaled was reported to have said, must take place within a "relaunching of the world economy...through a massive investment program which can only sanely be financed by long-term loans."

Arab capital should finance an export drive from France and West Germany to raise the industrialization level in Italy, Spain, and the rest of southern Europe, so that all Europe could export capital goods to the developing sector.

King Khaled flew to Paris after discussions at the mid-May Montreax, Switzerland meeting of the Euro-Arab Dialogue. At that earlier meeting, Dr. Nasarollah Fatemi of the Farleigh Dickinson Institute for International Studies in the U.S. presented a plan for "scientific industrial education regional technological development centers" for the Middle East and the rest of the less-developed countries to a top-level audience of European and Arab government officials, corporations, and banks (see "Interview with a participant at Montreaux" below).

The participants, particularly the Saudis, stressed that such centers, which would truly prepare populations for development and huge markets for the industrialized world's exports, should be built in southern Europe and elsewhere. "Although the U.S. government gives them no support whatsoever, unlike European governments, American corporations such as General Electric, Exxon, and others are coming directly into the Euro-Arab project on their own," the source added.

IMF Political Power Play

The IMF decision to intervene directly into the Zaire negotiations was made within the context of U.S. Treasury Secretary Blumenthal's speech to the May 24 International Monetary Conference. There, Blumenthal stated that international financial policy should hereafter be made at the IMF under the amendment to the articles of the IMF written by British Chancellor of the Exchequer Denis Healey and recently ratified by IMF membership nations. The amendment gives the IMF absolute "power of surveillance" over the "general economic and financial policies of the nations of the world" (see EIR Vol. V, No. 21, May 30-June 5, 1978 for full coverage of Blumenthal's proposals).

Under this format, the IMF's economic missions, with the formal recognition of the U.S. and allied governments as *the* institution charged with international economic policy formulation, are empowered to walk into the offices of governments around the world and impose upon them levels of austerity that make New York City's Big MAC look like a gala charity ball.

In Zaire, for example, the proposed austerity program will result in social chaos and likely collapse of central government power in the strife-torn nation. Every centrifugal tendency, from British Intelligence-backed "liberation fronts" to tribal gangs, will have a free hand to foment civil wars in Zaire and conflicts with neighboring nations that would quickly lead to a U.S.-Soviet nuclear showdown.

In Sudan, the second development focal point for Africa Grand Design negotiations, the IMF has demanded the country "begin no new major development projects for the next two years," according to the June 7 London *Financial Times*, especially should the Sudanese government want a badly-needed debt extension loan. A large-scale high-technology project for the irrigation and development of Sudan is the Saudi Arabian government's fondest project; Sudan has some of Africa's richest agricultural land, now devastated by the Sahel drought.

Moreover, Egypt, whose government is anxious to make the country a major Mideast "regional development center," is being forced to choose similar IMF programs to pay off its short-term obligations.

Fight At The Top

With the U.S. government endorsing the IMF's actions, by default if not officially, via Blumenthal, the French, Germans, and Saudis have begun an independent effort to undermine the IMF, particularly in Zaire. The June 9 *Journal of Commerce* editorial, "Imposing Discipline in Zaire," (excerpted below) reports that the IMF may fail in Zaire because "official sources...(may) bolster his (Mobutu's — ed.) regime at considerable cost. The Saudis aren't the least among them."

While some U.S. bankers, like the more intelligent corporations, are ready to dump the IMF as the quack invention of British economist Lord John Keynes that it is (see "IMF" below), the New York commercial banking community especially is being led around by the nose by Blumenthal, the British, and the Belgians.

Rimmer de Vries, respected international economist of Morgan Guaranty, for example, has called for Blumenthal-style "talking down" of the U.S. dollar, and then explicitly endorsed the IMF surveillance clause, the Dow Jones reported June 9 (see below). Similarly, Citibank's chief LDC debt troubleshooter, Irving Friedman, who has managed to stave off an IMF receivership for Zaire for the past two years, gave the full support of Citibank, the largest creditor of Zaire, to the IMF's "ward of court" takeover of the Zaire government at the June 5 Paris meeting.

Henry Mueller, Chairman of the Credit Policy Committee of Citibank, told this magazine June 7, "We agree with the IMF's goals and we have every intention of seeing that the banks go into Zaire only with the IMF." Chase Manhattan has taken the same attitude, according to their spokesmen.

The New York banking sheep are fleecing themselves alone. In their terrified urge to fulfill their craving for "fiscal conservative" security, as promised by the IMF, the banks are supporting the takeover of world credit policy by the very institution that, once firmly entrenched, will so cut back levels of world production and trade as to plunge the industrialized West into a depression out of which the dollar and the U.S. banking system will not reemerge.

U.S. Industry Invited to Participate in LDC Development

The following is an interview with a participant at the Euro-Arab Dialogue held in Montreau, Switzerland in mid-May.

Q: Is it true that the discussions between Saudi King Khaled and French President Giscard reported in Paris Match *came out of the Euro-Arab Dialogue meeting? And what kind of development program is it?*

A: Yes, King Khaled flew to Paris shortly after the meeting. The programs under discussion for Africa are very much like the speech made by Dr. Nasarollah Fatemi, Director of the Fairleigh Dickinson University Institute for International Studies, on the transfer of technology. Based on U.S., European, and Japanese cooperation with OPEC, and large-scale OPEC financing, he called for "scientific industrial-educational regional technological development centers" in the Middle East, which of course includes Israel. These would be modeled on what the U.S. corporations have done in Japan and in South Korea, which last year exported over $10 billion in industrial goods. That is, the centers would simultaneously train and employ in actual industrial development projects a skilled workforce for an entire region, which would then return to their countries to begin development at home. Prince Hassan of Jordan immediately suggested Amman as the site; Egyptian Petroleum and Industries Minister Helani offered Cairo. The Saudi delegate stressed that such a center is needed also in Southern Europe, Italy, Greece, or Spain, to link the European and Arab world as they were historically by technology.

Q: What did Thibaut de St. Phalle, the director from the U.S. Ex-Im Bank, say to the meeting?

A: He stressed the desire of the American companies to participate and his own desire to expand the help of the U.S. Exim Bank to such undertakings. But the Exim Bank is hobbled with too much red tape and too little money. Although the U.S. government gives them no support whatsoever, unlike European governments, American corporations such as General Electric, Exxon, and others are coming directly into the Euro-Arab project on their own.

Q: What was the concrete result of the conference?

A: The Euro-Arab Dialogue has created a permanent committee, the "Trans-Mediterranean Partnership," which will turn itself into an information and research-co-ordinating center to channel Arab funds into such projects and to individual corporations, to get things going right away.

"King Khaled Brings Hope"

The following are excerpts from an article entitled "King Khaled Brings Hope: A world plan for prosperity will be studied with France," which appeared in the French weekly magazine Paris Match, *June 9 and which refers to the historic visit of Saudi Arabian King Khaled to France during May.*

The whole package could represent several billion francs and make France a real political partner of Saudi Arabia.

This political cooperation, founded on the fact that French actions in Africa uphold the established order, may be translated also into joint operations in third countries. It is thus that the Agriculture Minister discussed an agricultural development program in the Sudan which would be partially realized by France and financed by Saudi Arabia.

In reality, we are living today in a period similar enough to that, which in 1947, led America to conceive the Marshall Plan to allow for the relaunching of the European economy. But, at that time, everything was much simpler because the U.S. held the essential part of the wealth and the liquidity at one and the same time. Today, the situation is infinitely more complex: the riches are distributed between the U.S., Japan and Europe, while the liquidity is in the hands of the Saudis and other petrodollar holders. That is to say that a new world economic order can only take place through increasing cooperation between the industrial West and Saudi Arabia.

On a grander scale, Mr. Giscard d'Estaing talked of stable oil supplies for Europe and evoked the possibility of a large European loan, which represents an idea dear to the Common Market Commission in Brussels. This idea begins from the principle that a take-off in the world economy begins with a program for massive investment and that this program can only be financed efficaciously by long-term loans.

The beneficiaries would not only be the industries of the member countries of the Common Market, but also the southern countries of Europe; like Spain, Portugal, Greece and Turkey. These countries possess a great potential for development but are in the throes of grave financial crises. If their economies could again move forward, that would bring contracts for the most technologically advanced nations. It would also be the case for certain Third World countries technically capable of now realizing their economic takeoff.

This is a veritable world plan. It implies that the different continents draw the conclusions of their interdependance concretely. In the case of failure, each country risks calling into a crisis, hiding behind tariff barriers, in order to inflate their exports and limit their imports. A recession more profound than the one we are experiencing today would be unleashed. It would begin among the weakest countries, then little by little, would spread throughout the world.

"Imposing Discipline in Zaire"

From the Journal of Commerce *editorial of June 9:*

Imposing financial discipline on a country as poorly managed, as vulnerable to outside pressures and as important to the security of Africa as Zaire isn't easy. Citibank's Irving Friedman can tell you that.

The major industrial countries, not to mention Saudi Arabia and Iran, are so alarmed about the influence of the Soviet Union and Cuba in the heart of Africa that they will go to great lengths to shore up President Mobutu, discipline or not.

Dr. Friedman's long, involved and intricate negotiations with Zaire for what was to have been a $250 million Eurocurrency loan were intended to result in a textbook case on how the banks and the International Monetary Fund can work together to restore a nation's creditworthiness. He wanted to avoid, at all costs, a rescheduling of private debt. . . .

The commercial banks also believe the discussions with the fund might be helped if President Mobutu were to put his signature on the Eurocurrency loan agreement, which now involves about $218 million.

The president has been reluctant to do so before the Brussels meeting even though the commercial banks have warned him that the consortium might fall apart if he doesn't act in a reasonable period of time. . . .

Dr. Friedman's conditions, and those that the fund, might like to impose will, therefore, go by the board. . . .

Morgan Bank: IMF Surveillance, Down with the Dollar

According to a Dow Jones wire June 9, Rimmer de Vries, economist at Morgan Guaranty Trust in New York, said that he was "moderately bearish" on the dollar:

It is difficult to believe that the heavy foreign bank purchases of dollars — totalling more than $40 billion in 1977 and the first quarter of this year — by the central banks of the industrialized countries and the frequent calls for the U.S. to sell gold and to float foreign currency denominated bonds in the capital markets were solely for the purpose of maintaining orderly exchange markets. Instead, these interventions appear to have had a protectionist bias, limiting the ability of the U.S. to correct its current account deficit. . .

It would be desirable that the new Article 4 Agreement of the IMF be given operational content in the form of a stronger surveillance role for the fund whereby it is empowered to examine exchange rate policies of member countries.

Bankers Concerned Over IMF Role As 'Police State'

The International Monetary Fund's attempt to abolish the national sovereignty of deeply indebted Third World nations like Zaire, Peru, Turkey, and Sudan has begun to draw public and private criticism from sections of the world banking community.

The pivotal question now is whether what is now merely "concern" on these persons' part can be immediately transformed into action proposals before the Fund wrecks the world economy and the possibility of economic development-based solutions to the Third World's political problems.

"What concerns me," the international economist for a leading U.S. commercial bank said this week, "is the role of the IMF as a police state. This can be detrimental in the long run. If the IMF acts as a powerful surveilling agency, it can take the initiative for development out of the international market. We need longer-term financing to accommodate these countries' development programs."

At the same time, Hermann Abs, the dean of West German banking, issued a public call to arms against the IMF's disastrous practice in the May issue of Die Bank, the West German banking association monthly. "Only undiminished access to international credit," Abs wrote, " gives a state the possibility of maintaining national sovereignty over social and economic policies.
settlement—such as those that need to be conducted with the Third World—must accept this principle."

What must guide debt-rescheduling procedures, Abs wrote, is not interest and principal considerations, but the debt-carrying capacity of the national economy, keeping the national economy under question in the framework of world trade and finance. As low a debt to exports ratio as possible should be maintained, Abs said. The key is new credit injections to restart economic growth.

What Abs and his colleagues are most immediately worried about is the IMF plan, officially outlined by Belgian Foreign Minister Henri Simonet at the Paris emergency meeting on Zaire June 5, to settle Zaire's outstanding foreign debt (unofficially put at over $5 billion) by splitting the country into endless warring tribal sections to impose austerity under IMF control. It is clear to most that Zaire would just be the first of several such "solutions" for heavily indebted Third World nations — solutions which would wreck international political stability.

The recognition of the danger of the IMF's plans is also reflected in recent activities of the U.S. foreign policy bureaucracy. It is known that a group in the State Department was responsible for lessening the stringency of the conditions for the IMF loan now under negotiation for Egypt. Both U.S. and Saudi Arabian officials had publicly noted the destabilization potential inherent in the dire conditions previously attached to the loan.

Sentiment of this State Department faction was summed up by one department senior official who told an interviewer this week: "There's a feeling here that the IMF topples governments."

Zaire: Give Up Sovereignty for IMF Bailout

The IMF's proposed "rescue plan" for Zaire, discussed this week at the five-nation conference in Paris and to be finally decided at a scheduled June 13-14 meeting in Brussels, is, according to one American diplomat,