"soft" dollars to finance the International Monetary Fund, rather than strengthen the U.S. government's sovereign powers to reverse the economic depression.

To short-circuit White House interest in the LaRouche plan, these proponents of supranational, anti-industrial monetary institutions aim now to discredit remonetization of gold in Reagan's view. "People are . . . alarmed that there is serious discussion of the gold-backed dollar," a congressional source privy to these deliberations leaked. "Unless the gold idea is shown to be unworkable now, there is always a real chance that the administration might turn to it in a crisis." To discredit gold, he proposed, "the best thing that could happen is to have a debate now in which [some people] first push gold and then back off."

Mid-February, Jack Kemp burst into Reagan's office and told him that the world monetary system was about to go bust, and that the President should remonetize gold. A formal version of Kemp's remonetization schema will soon land on Reagan's desk. It will be written by the Hudson Institute's Herman Kahn. The Kahn blueprint will specify that the Treasury should issue gold-backed bonds, but *exclusively* for the purpose of financing the U.S. deficit—*not* to authorize liquidity for trade-financing purposes.

As involuted as it may sound, what Kemp, Kahn and their Swiss-London friends are doing is a rerun of a trick they skillfully pulled on Reagan in 1981, around the President's special Gold Commission. At that time, Alan Greenspan, the Swiss bankers' friend who sits on the board of Morgan Guaranty, participated in the script, which ended in the Commission rejecting any restoration of gold's role. Kemp's friends report Greenspan is working with them this time around too.

### 'Free-market forces'

Concurrent with this tug-of-war, international commodity trading houses and fast-buck vulture operations are playing their own game with gold. In January, the single largest private operator on the world gold market, Geneva's Edmund Safra, merged his private Trade Development Bank with Wall Street's American Express, vastly upping his leverage and maneuverability. The multi-billion Phibro/Salomon group is also gearing up on gold. Insiders report Phibro is setting up a network of trading companies which are moving into select Third World countries, to pick up on barter trade. Gold deals will play an important part in these arrangements.

Other trading firms reports plans to invest in gold-mining in Brazil. A New York company moving into Latin America expects the dollar to sag sharply in coming months, and predicts a "shift of financial power to the benefit" of countries which import oil, with prospects for exotic private financing arrangements, involving gold. The last thing these "market forces" would like is a tough U.S. gold policy. Don't be surprised if they rig some heavy fluctuations in the price to help dissuade Washington from adopting a gold-based recovery policy.

# Group of 77 meeting sidesteps immediate

by Carlos Cota Meza in Cartagena

The ministerial-level summit of the Ibero-American members of the Group of 77 developing nations, meeting in Cartagena, Colombia, went into deliberations in an atmosphere of economic shellshock. In the week before technical delegations assembled on Feb. 21, and foreign ministers began arriving Feb. 23, the following drastic developments occurred:

- Brazil devalued the cruzeiro 30 percent in the biggest "maxi" in a decade; called on the Bank for International Settlements (BIS) to roll over a $1.4 billion bridge loan, an unheard-of procedure; and let Banco do Brasil payments at its New York office go formally into arrears (see International Credit).
- Venezuela suspended all trading of the bolivar, and for three days went into non-stop emergency sessions of the cabinet to resolve on a devaluation (it would be the first in two decades), exchange controls, or a combination of the two (see Business Briefs). The week before it had been informed it was simply not going to get the $8.7 billion restructuring of its short-term debt into longer-term maturities.
- On Feb. 16, Mexico suddenly informed its 13-member advisory group of international banks that the group had better ante up $500 million in an emergency bridge loan toward the delayed jumbo loan of $5 billion or see Mexico fail to meet its February bills.

As delegates walked the streets of Cartagena to reach the convention center, they passed among frantic vacationers and others buying or selling bolivars at as much as 50 percent below the official bolivar quotation. However, a response from the meeting appropriate to the gravity of the crisis was not forthcoming. Despite a strong economic platform offered by the Latin American Economic System (SELA), the majority of delegations waffled on using the meeting as a forum to make any decisive breaks with the IMF world order. The Non-Aligned meeting which begins in New Delhi the first week in March will not have the benefit of major initiatives for a new world order passed on from the Cartagena gathering.

Pure strongarming explains a good deal of the timid out-

# in Colombia action on debt

come. The sharpest case is that of Colombian President Belisario Betancur. The first President in the continent to back up Bolivian President Hernán Siles Zuazo's call for collective debt renegotiation last fall, Bentancur was expected to make a strong speech to open the plenary session the final day of deliberations, Feb. 25. However, for the preceding five weeks he had had to face down a continual threat of military coup from a coalition of drug- and terror-linked elements of the military with the State Department directed Liberal Party faction of former President Alfonso López Michelson. Two nights before Betancur was to speak at Cartagena, these forces pressured the Supreme Court into a decision which ruled Betancur's emergency financial measures against drug-infested banks unconstitutional.

The next day the word was out that Betancur would not be going to the New Delhi Non-Aligned summit. And his speech at Cartagena, while including jabs at the IMF order, pulled its punches in terms of the "debtors' cartel" issue.

Bentancur's proposals echoed the World Bank and Brandt Commission: a greater volume of IMF Special drawing Rights; a "new Marshall Plan" to be financed by reducing arms expenditures; and case-by-case renegotiation of the worst-off debt situations. He also termed "trustworthy" the prospects of an economic recovery in the advanced sector.

What Betancur faces in Colombia is just a warmup for what will be happening to the rest of the continent, if action is not taken quickly. This was made clear by a spokesman for the special Ibero-American "debt squad" apparatus set up jointly by the Rockefeller interests, the Ditchley Group of bankers, and the IMF on Feb. 24 in New York (see article, page 10).

## Alzamora debunks 'illusion' of recovery

What the meeting should have agreed upon—and what remains upon the table as the unpostponeable agenda for the continent—was presented by Carlos Alzamora, head of SELA, in his opening speech on Feb. 22. Alzamora stressed that the continent must 1) use its heavy foreign indebtedness to establish the developing sectors' "power of negotiation" with the creditor countries; 2) create, on an emergency basis, an "intraregional market" for Ibero-American financing and payments, as well as trade; and 3) relinquish any "illusion" that some kind of recovery was "around the corner" in the advanced sector.

The speech paralleled major postulates of the strategic study "Operation Juárez" by U.S. economist Lyndon LaRouche, which was circulated widely at the summit, and exemplified how under terrifying conditions of economic collapse, certain Ibero-American leaders are converging on a "debt bomb" strategy as a necessity for survival.

On Feb. 23, in the middle of the proceedings, Alzamora and Enrique Iglesias of the U.N. Economic Commission on Latin America (ECLA) abruptly flew to Quito for a two-hour meeting with Ecuadoran President Osvaldo Hurtado. The week before, Hurtado had released the contents of a letter in which he called upon SELA and ECLA to formulate a strategy for a "joint regional response to the world economic crisis." After meeting with Hurtado in Quito, Iglesias told the press that the foreign debt of the continent surpassed any ability to pay, and required joint action for renegotiation. He and Alzamora then flew back to Cartagena to rejoin the discussions here.

There was indeed talk at the summit of designating SELA the pre-eminent institution for emergency economic coordination on the continent—"a Latin American OECD," in the words of one delegate. This is precisely what Alzamora himself urged in a second speech Feb 25, this time to the full plenary session. Alzamora stressed that SELA was fully prepared to accept the role proposed by the Hurtado letter. Colombian President Betancur, in his keynote address immediately after, added his endorsement of the Hurtado initiative.

Ecuadoran Foreign Minister Valencia called a special press conference to release the contents of the letter. During the press conference, he singled out for the thanks the telegram of support for the Ecuadoran intiative sent from the Paris meeting of the Club of Life on Feb. 18. He made special mention of the role of *EIR* founder Lyndon LaRouche in sponsoring the Club of Life's support.

There appears to be a plan in these circles to convert the Ibero-American heads of state meeting in Caracas on July 24 into a major policy forum, and use SELA as the primary instrument to draw up an emergency economic program for consideration at that summit—a good idea with an unrealistically long timetable.

At the same time the Cartagena summit served to advance some political initiatives. Most notable was the unexpected three-hour private luncheon meeting convened by the foreign ministers of Mexico, Venezuela, Colombia, and Panama the afternoon of Feb. 24. Their purpose: to keep the Mexico-Venezuela initiatives for negotiated settlements in Central America alive, and rein in the U.S. State Department's counter-efforts (see article, page 51).