EIR Economics

'The whole thing has a smell of Dunkirk'

by David Goldman and Kathy Burdman

Lloyds Bank director Guy Huntrods used these words in a private chat with Brazil's permanent IMF representative Alexandre Kafka during the Ibero-American delegations' reception, hours after IMF managing director Jacques de Larosière announced that government and banks had announced an $11 billion bailout package for Brazil. Huntrods was speaking about the transparently fraudulent Brazil package, announced in desperation after Brazil told the IMF that it saw no point in accepting the Fund's brutal lending terms when private bankers were refusing to put up money. But the comment applies to the whole of the IMF's annual meeting in Washington Sept. 27-30, which might well represent a point of no return for the Western alliance.

Dunkirk was the nadir of the civilized world's contest with Nazism; the decision of the U.S. administration and its closest allies to hand to the IMF their hopes of forestalling world monetary crisis, and the shattering of Western institutions, may turn out to be worse. Paris in 1940 would have appeared alert and decisive compared to the supreme gathering of the world financial community this year. The world's leading bankers stumbled red-faced between receptions, in a display of Neronic imbecility before the worst crisis they will ever face. Chase Manhattan's Chairman Willard Butcher spoke for most of his colleagues in a comment to *EIR*, saying, "What would I do if the sky falls? The answer is, I'd make a market in sky. I'd sell sky short."

Beginning with de Larosière, every Western finance minister ritually conjured up the "American economic recovery" as the cure for a crisis in which the world's biggest debtors, led by Brazil, have paid nothing to their creditors for months, and the IMF itself can obtain funds from neither the U.S. Congress, nor the European central banks, nor even the private markets. Yet every Western finance minister and central bank chief knew that the statistics supporting the American "recovery" were fraudulent, and, with the exception of Donald Regan and Paul Volcker, was prepared to admit to knowledge of this fraud in private conversation. Volcker, shaken by the universal credibility of U.S. Presidential candidate Lyndon LaRouche's exposé of the Fed's statistical fraud, widely circulated at the meeting, promised Sept. 28, "We will conduct a full investigation" of the charges.

Zambian Prime Minister Mundia, speaking on behalf of the African delegations, and Venezuelan Planning Minister Izaguirre were the only leaders to publicly cast doubt on the IMF's "recovery" argument. Dr. Izaguirre's speech before the IMF assembly and additional comments to *EIR* concerning Venezuela's attitude toward IMF conditionalities are appended.

Local television news clips began with footage of a National Democratic Policy Committee "funeral for the IMF," complete with a black-shrouded coffin labeled "IMF: 1947-1983," and a brass band playing the Funeral March of Beethoven's *Eroica*. Accompanying the coffin was a "Shylock," holding out a dripping hunk of liver to passing IMF delegates, and screaming, "My pound of flesh!"

De Larosière, Treasury Secretary Regan, Council of Economic Advisers Chairman Martin Feldstein, and the British and West German finance ministers had little better to say. Their argument boils down to the following: the IMF is in a "dangerous liquidity crisis" (Regan) and must cut back its lending, at the same time private banks are cutting back lending. De Larosière told major borrowers before the meeting began that the IMF could not make any new big loans before the U.S. Congress approved an $8.4 billion contribution promised by the administration last April. Congressional aides say that legislation is still "going nowhere," despite a public plea from the President.

Meanwhile, European and Saudi central bankers are holding back a requested $6 billion emergency loan to the IMF until Congress acts, although some European aides say the money might turn up if Congress does not act by year-end. Even if all these funds were made available, West German central bank chief Karl-Otto Poehl warned the *Washington Post* Sept. 29, the IMF would need an additional $7 billion next year to carry out existing lending programs.

With dwindling paper available to smooth over the debt crisis, the debtor countries must pay their debts by importing less and exporting more, the IMF says, while admitting that they have already cut imports to the bone. Mexico cut imports by 70 percent in the past year, and Brazil has cut imports by 30 percent. So the difference must come from more exports, even though world trade continued to decline during the first half of 1983, despite supposed "recovery." Now the countries must accept more austerity for less loans, and rely on the "recovery" to save them.

The IMF's practice of lending in return for brutal "conditionalities" is now like the Bureau of Labor Statistics' Quality Adjustment Factor for automobiles, which shows more quality and less car every year: the IMF is now all conditionality and no lending.

On top of this, the IMF demands that the United States cut the federal deficit, i.e. the defense budget, or the "recovery"—which no one claims to exist outside of North America—will disappear. President Reagan tried to answer this in his welcoming address to the conference Sept. 27, saying, "Let me make clear that it is caused in part by our determination to provide the military strength and political security to ensure peace in the world. . . . There can be no lasting prosperity without security and freedom." But a senior adviser to the President warned, "If the IMF gets into an international banking crisis, even the defense program may go out the window."

Strategic disaster

Swiss National Bank President Fritz Leutwiler, whose financial support for elements of the Nazi International has been documented by *EIR*, seized the high ground, appearing as the Spenglerian pessimist among the world's financial leaders. "I do not consider the elimination of the debt problem in four or five years as obtainable. I regard it as a realistic appraisal that the causes of the indebtedness problem cannot be eliminated that soon, if at all," Leutwiler told the National Press Club on the eve of the annual meeting. Leutwiler, who also heads the Bank for International Settlements, added that the debt crisis may or may not still be manageable.

Leutwiler does not want to dissolve the IMF. On the contrary, Swiss officials say that Switzerland will join the organization next year, and French Finance Minister Jacques Delors announced that the "Group of 10" industrial nations must now be called the "Group of 11," to include Switzerland as a full member. He wants to use what remains of the bankrupt institution as a club against both the debtor countries of the Third World and Western Europe and the United States itself.

The game is straightforward: the United States is persuaded to cling to a hated, destructive, and nearly bankrupt IMF, and become an object of hatred before the rest of the world. If the United States fails to bankroll an institution whose principal present demand is unilateral American disarmament, America will take the blame for the collapse of the world monetary system; if the United States funds the institution, it will only support further destruction of its export markets and, ultimately, America's capacity to finance its defense-related deficit. When the IMF fails to hold the world monetary system together, the rest of the world will, from the Swiss perspective, feel free to join in a general anti-American rampage.

"Leutwiler's problem is that he has cut a deal with the Russians," said one of the top members of the British delegation. The Bank of England has, for months, been near the point of hysteria over the apparent glee with which the Swiss have watched the dissolution of the Western banking system. The Swiss, along with other "central European" financial interests, have allied with the Soviets' strategic ploy against the Western credit system. "But what alternative do we have to the IMF?" the British official asked despondently.

The London *Economist* laid it all out in a Sept. 24 editorial which warned bluntly that the U.S. would pay for its inability to manage the crisis (and for Congressional refusal to fund the IMF in particular) on every important strategic front:

"Why bother with the Americans, say the irritated, if they cannot make up their minds? Why should Europeans support the United States on foreign-policy issues that the White House rates important—sanctions against Russia, missile deployment, peacekeeping in Lebanon—if the support is not returned on economic matters? How come America is capable of prompt economic action which hurts Europe—like President Reagan's recent restrictions on imports of special steels—yet leads congressional foot-dragging as a convenient excuse for helping little elsewhere?" Mrs. Thatcher's new Chancellor of the Exchequer, Nigel Lawson, was asked by a reporter whether he thought the London *Economist* was alarmist. "Not alarmist," the Chancellor smiled. "Only journalistic."

Swiss-connected French Finance minister Jacques Delors was less Delphic than his British colleague. "If the United States Congress does not pass the IMF quota increase, we shall have to reassess America's role. Not merely the financial, but the political and psychological effects will have to be considered. Until now, America has had a dominant role in the world economy. But if it fails to support the International Monetary Fund, we shall call an emergency meeting of the Interim Committee [the IMF's steering group] to reassess this."

Delors refused to answer questions concerning his attitude toward proposals by the British Commonwealth to invite the Soviet Union to join whatever monetary arrangements might replace the present, American-centered monetary arrangements. This proposal has been made by Commonwealth General Secretary Sidrith Ramphal. However, a source close to Greek Finance Minister Gerassimos Arsenis, said that if the IMF's present efforts failed, "we shall have to consider what alternative monetary arrangements might be made," adding that these arrangements would indeed include the Soviet Union. Arsenis delivered the European Community's address to the IMF meeting, reflecting Greek chairmanship of the EC during 1983. In his capacity as EC Chairman, Greek Prime Minister Andreas Papandreou earlier this month blocked a European resolution to denounce the Soviet Union for the killing of KAL Flight 007.

Delors' remarks to the Group of 10 press conference Sept. 24 preceded French President Mitterrand's denunciation of the American beam-weapons proposals, before the United Nations General Assembly Sept. 28. Mitterrand was echoed by Indian Prime Minister Indira Gandhi.

Although certain British policy circles understand the trap, they are impotent to avoid it, not least because British Prime Minister Thatcher and her monetary adviser, Sir Alan Walters, think that a few big bankruptcies would be good for monetary discipline and the free market, according to London press reports. President Reagan, for all his annoyance at the IMF's suggestion that the United States reduce defense spending to meet IMF economic criteria, nonetheless devoted his speech before that body to the "magic of the marketplace," repeating the often-ridiculed phrase he first used before the same meeting in Washington two years earlier. Treasury Secretary Donald Regan, cast as the meeting's chief villain, uttered threats to the developing nations which no U.S. official had yet dared to. Asked his response to Ibero-American motion towards collective renegotiation of foreign debt, Regan said, *"Any nation that repudiated its debts would literally cause its own death."*

His deputy secretary, Tim McNamar, commenting to *EIR* on opposition to the IMF's austerity terms in the Brazilian Congress, snapped, "Let's see how they feel when their oil runs out in a few weeks!"

Whatever Regan's motivation, the effect is the same. The opprobrium inevitably sticks to the United States and her chief executive.

Regan made matters worse, at least in perception, by demanding that the IMF lend less of the money it hopes to get (but doesn't yet have) to each borrower. Starting in 1981, the IMF began lending 150 percent of each member's holding, or quota, in the IMF, as a maximum loan package; Regan demanded that the IMF "husband its resources" and cut access by two-thirds. German Finance Minister Gerhard Stoltenberg engineered a compromise at the end of a drawn-out session of the IMF's Interim Committee which kept guidelines similar to those Regan had wanted, but permits the IMF executive board to do whatever it wants by simple majority vote. Although the entire debate was idiotic, or, as Regan put it, "theoretical," since the IMF will be out of funds by next April, the scrap reinforced America's image as the enemy of the Third World.

The developing nations' caucus, the Group of 24, was muted in its response. Last year, the Group of 24 communiqué had blasted the policies of the industrial nations, warning that they would lead to a "breakdown of the world trading and financial system." This year, the same group restricted itself to complaints that the developing nations had not gotten their fair share of the recovery.

While de Larosière singled out the United States in his public remarks, other industrial nations were put on the line in private discussions with their bankers.

"Don't imagine that you people can continue to run a balance of payments deficit," a banker barked to members of the Swedish delegation in an alcove of the Sheraton Washington Hotel, the conference site. "You're lucky that Denmark is in between you and Germany, and took all the heat so far. But if the Danes had had black hair and spoke Spanish, they would have been thrown into bankruptcy a year ago. Don't think you won't be next."

The Swedes quietly asked upon what terms they might obtain new loans, and left. A member of the Irish delegation arrived and sat down in their place.

De Larosière's global policy demands are even more dangerous than his specific prescriptions for individual developing countries. "Rates of growth of monetary aggregates must be, and must be seen to be, consistent with a further deceleration in price increases," he told the meeting's opening session. "Fiscal responsibility is part of this climate. So is the development of wage-setting procedures that allow the cost of labor to respond in a timely way to changes in the demand for it. The high cost of labor has been a factor inhibiting the growth in employment opportunities, especially in Europe."

In the weeks before the meeting, all the major European nations joined the Federal Reserve in a general squeeze on credit availability, while all the European governments undertook sharp cutbacks in public spending—swallowing de Larosière's prescription before it was delivered. "Of course, they all discuss these things at the Bank for International Settlements, so in a sense it is coordinated. But the simple fact is that they are all doing this because they have no other choice," said J. J. Polak, the Dutch delegate to the IMF who formerly ran the IMF's economic research department.

The West German Bundesbank, closely allied to Leutwiler's Swiss National Bank, announced the money crunch in a report issued a week before the conference opened, under the headline, "Against Too Much International Liquidity." Even Dr. Otmar Emminger, the Bundesbank's former president, registered private objections to the Swiss policy now emanating from Frankfurt. The coordinated reduction of credit availability, more than any particular situation in Ibero-America, sets the stage for a world crash: the central banks have eliminated what maneuvering room remained to the hard-pressed banking structure. At this point, not only the Brazilian debt but bankruptcies of American airlines or financial companies, secondary Eurodollar market banks, or even some of the European debtor countries could trigger a crisis.

The Brazil bailout hoax

If the bankers' response to the Sept. 26 announcement of an $11 billion bailout scheme for Brazil betrays what the next months will bring, an LSD dispensary might well replace Jacques de Larosière in the managing directors office at the IMF. To admit the package was phony would be to admit that many of the largest institutions are already bankrupt. Pressed on the point, Chase Manhattan Chairman Willard Butcher told *EIR*, "Well, if the sky falls, I'll sell sky."

In fact, the banking consortia which de Larosière pledged would raise the $6.5 billion private-sector share of the rescue package have already cracked apart. One of the top American banks told the press during the conference that lower interest rates and longer maturities are essential to make it possible for Brazil to pay its debts. A senior Belgian banker scoffed at the de Larosière package, saying, "The only solution is for the Brazilians to issue long-term low-interest bonds to replace their debt. Then there is no debt crisis. Brazil's Itaipu Dam alone produces as much electricity as all of Belgium. Belgian electricity is produced by five nuclear reactors, whose combined capital value is $100 billion, the same as Brazil's external debt. If that much electricity can support $100 billion in capital in Belgium, then the Itaipu project alone can pay back Brazil's debt. They simply need time."

Japanese banks, meanwhile, have formed the Center for International Finance, as a counter to the American banks' Ditchley Group in Washington, the Morgan-led "creditors' cartel." The Japanese are "proceeding from the standpoint that the situation is now unmanageable, and they must find some way to manage the debt crisis," said one American official familiar with the Japanese plans. "They have decided that the Ditchley group is worthless, as have the Europeans, and the American banks seem to be coming to the same conclusion."

However, the leading German banks, whose Ibero-American debt exposure is relatively small, have rejected the proposed $6.5 billion loan for another reason: bankers like Deutsche Bank's Wilfrid Guth oppose additional lending to the Third World, in line with Fritz Leutwiler's dicta. "We will only propose an interest capitalization," i. e., the conversion of unpaid interest into loans, rather than the new credits the Brazilians need to keep importing, Guth told *EIR*. At a press conference Sept. 28, Brazilian finance minister Ernane Galvêas described this proposal as totally unacceptable.

The question is not whether the Brazil plan will fall apart; it never existed in the first place. Rather, the Brazil crisis later this month will test the ability of the U.S. government to recover from the disastrous policy which sunk to new lows in Washington. Some U.S. officials, who see a long-term stretchout of the debt as the only hope of avoiding a monetary as well as strategic disaster, believe that the Japanese initiative may bear fruit. "But nothing will happen before a crisis breaks out," one official said. "It is impossible to tell who will pull it together. That is the $64 billion question."

Documentation

The benchmark statements at the IMF meeting

Dr. Fritz Leutwiler, president of the Swiss National Bank, before the National Press Club, Sept. 26:

I do not consider the elimination of the debt problem in four or five years as obtainable. I regard it as a realistic appraisal that the causes of the indebtedness problem cannot be eliminated that soon, if at all.

The origin of the debt problem is overboard government spending . . . not only in Latin America, but also in the industrialized countries. . . . For many countries, it was for too long made too easy, to push ahead with economic development at an exaggerated speed. Part of that euphoric growth phase was the financing of prestige projects with doubtful economic prospects.

The IMF is the only institution with the power to force reluctant governments of indebted countries to stiffen their economic policies. . . . Those people who prefer to think with their hearts rather than their heads claim that the conditions of the IMF are too severe. I am convinced that the Fund knows very well that its conditions have to be realistic. They have to be stiff enough to reassure the creditors.

IMF Managing Director Jacques de Larosière, opening the IMF's 38th annual conference Sept. 27:

Mr. Chairman . . . we must not allow the debt problems to unravel. We have certainly made progress on this front, but the danger is not past and if we do not act the situation could well get out of hand. . . .

Led by North America, the industrial world has begun to recover from the most severe and prolonged recession of the postwar period. . . . Despite this improved outlook, however, there are aspects of the recovery that must continue to give policy makers cause for concern. To begin with, the recovery thus far is confined to relatively few countries. . . . Demand has been fed so far by interest-sensitive consumers' expenditure and stock building. Fixed investment—which is the decisive element in boosting productivity and growth over the longer term—remains weak. . . .

If interest rates today are high—and they are—they reflect largely the fear that competition for funds in capital markets is likely to intensify in the period ahead. The way to deal with this situation is not to loosen the reins on monetary expansion but to reduce inflationary expectations and improve the balance between available savings and the demands that are placed on them. . . .

This brings me to . . . the need for a credible plan for reducing fiscal deficits in those several countries—including the United States—where structural budget deficits are high in relation to available savings. . . . Fiscal responsibility is part of this climate. So is the development of wage-setting procedures that allow the cost of labor to respond in a timely way to changes in the demand for it. The high cost of labor has been a factor inhibiting the growth in employment opportunities, especially in Europe. . . .

The argument has been made that the adjustment measures required of debtor countries have the effect of slowing down their growth and thereby adding to recessionary influences in the world economy. . . . [But] as soon as a country's external deficit begins to outstrip the availability of foreign financing, that country has no alternative but to retrench, and to bring its external deficit within the bounds that are dictated by the availability of foreign financing.

From the statement by Zambian Prime Minister Nalumino Mundia on behalf of the African members of the IMF, Sept. 28:

The continued slowdown of economic activity in the industrial countries, with the attendant decline in the volume of world trade and intensification of protectionist pressures, has seriously affected the economic performance of most developing countries. . . .

Compounding the problems of this group of countries is the deterioration in their terms of trade. After five consecutive years of adverse movements in the terms of trade, the cumulative deterioration in most of these countries was about 20 percent in 1982. . . .

It is necessary to go beyond the generally applied rules in order to ensure that our countries are in a position to pay their debts. Such an approach will entail a rescheduling of all our debts, and an extension of both the maturity and grace periods.

Mexican Finance Minister Jesus Silva Herzog, on behalf of the member countries of Ibero-America, the Caribbean, and Spain, Sept. 28:

Countries can accept belt-tightening for a time, but they must find ways of adjusting which promote greater dynamism in their economies and ensure sustained development in the medium term. Privation is difficult to sustain indefinitely. . . .

There can be no question but that the flow of external credit in the next few years will be smaller than in the recent past. In the absence of other sources of external resources, growth in the developing countries will of necessity decline. But these countries cannot follow this path for too long if they wish to avoid domestic problems which, in turn, will affect the rest of the world.

Council of Economic Advisers Chairman Martin Feldstein, before a Brazilinvest luncheon Sept. 27:

A year ago many feared that the international debt situation would precipitate a collapse of the international financial system . . . but the crisis has been averted [through] a redeployment of resources for international financial balance on the part of the debtors, that is, for less imports and more exports. . . . The debtors must transfer real resources to the creditors.

Venezuelan delegation chief Dr. Maritza Izaguirre, minister of state for planning and coordination, speaking on behalf of the entire 22-nation Ibero-American bloc at the IMF, including Brazil, Spain, and the Philippines:

Venezuela is honored to be making this statement this year, the bicentennial of the birth of liberator Simon Bolívar, a reflection of the liberty and unity of the Latin American countries. First is the need to appraise the current economic situation of Latin America . . . in the framework of the discouraging world economic outlook in the short and medium term. . . . Our countries are concerned that prevailing recessionary tendencies became more pronounced in 1983 because the crisis of the international economy had a severe impact on trade between Latin America and the rest of the world, kept real interest rates at extremely high levels, and led to a pronounced decline in net capital inflows. This. . . provoked an unprecedented economic crisis.

We in Latin America believe that this state of affairs stems from actions or omissions at the global level. . . . Our countries have been absorbing a disproportionate and excessive share of the international economy's adjustment burden, as evidenced in the region by widespread economic stagnation, declining investment, accelerating inflation, deterioration in wages, and increases in unemployment and underemployment.

The cost of adjustment has been exceedingly high. In many countries maximum limits have already been reached as regards domestic tolerance for orthodox adjustment policices, which offer no better prospects for national development. . . . All in all, in the absence of more rapid recovery in the industrial world, and short of obtaining a suitable volume of external resources, the situation in Latin America will continue to deteriorate over the next few years.

The adjustment programs associated with the external debt have so far been focused on the settlement of that debt. In our opinion, it is essential that these programs take into account principally the national interest of the debtor countries, as expressed in their legitimate and urgent requirement to speed up economic growth. . . . Attempting to make sudden adjustments in an excessively short time may not only provoke undesirable economic and social reactions, but may in the short term cause a deterioration and aggravation of the situation it was intended to correct.

The countries I represent feel that, in addition to the adjustment process, intra-regional cooperation and trade offer opportunities that must be realized. The economic conference of Latin America and the Caribbean that is to be held in Quito, Ecuador early next year will be particularly important, as it will provide an opportunity for major regional initiatives for financial and trade cooperation as well as cooperation in the areas of food production, energy, and transportation.

Caracas planning minister and U.S. spokesmen

The following interview with the Venezuelan minister of state for planning and cooperation, Dr. Maritza Izaguirre, was conducted on Sept. 29 by EIR'*s Kathy Burdman at the IMF meeting.*

EIR: You raised the strongest doubts heard at this meeting about the existence of the so-called recovery.
Dr. Izaguirre: We are the only ones doubting the recovery, yes. We're talking about the world recovery and we don't see it at all.

EIR: Does *EIR*'s exposé here this week of the Federal Reserve's faking of industrial statistics increase your doubts about the U.S. recovery?
Dr. Izaguirre: We haven't made a specific study of the U.S. situation. We don't see major recovery anywhere in the world.

EIR: Do you, for example, see any real evidence of U.S. recovery in rising American imports of Venezuelan oil?
Dr. Izaguirre: Not in oil, certainly. Our oil exports have leveled off.

EIR: Including to the United States?
Dr. Izaguirre: Yes. Oil demand has leveled off. We see no strong return of demand and no strong recovery. If so there would be a rise in our exports of oil. We don't see a boom in the United States.

EIR: You said in your speech that actions or omissions at the global level are to blame for the debt crisis. So you reject the charge that the Third World is to blame for overspending?
Dr. Izaguirre: We certainly do reject that idea. Both parties are to blame. The developing countries have to take part of the blame, but so do especially the banks. The international banks gave loans without ever examining the economics. They were very happy to extend money without examining the capacity of the institutions to pay in the very short term.

EIR: Didn't the banks cause the crisis when they pulled in their loans for political reasons after the Malvinas war last year?
Dr. Izaguirre: They were afraid of the new situation. They changed their policies too precipitously.

EIR: You also said in your speech that "maximum limits of tolerance" of IMF austerity programs has been reached throughout Ibero-America.
Dr. Izaguirre: This is our strongest point, the point we want to make to everyone. We agree that the developing countries have to make adjustments, and we are making adjustments. But you can't forget development when you promote adjustment. We can't have only adjustment. We can't promote adjustment, in the IMF or elsewhere for the sake merely of adjustment, especially when the end [result] of adjustment and more adjustment is millions of starving people. We need to have some reordering and some adjustment, but not only that. Unending adjustment will only lead to social unrest in Latin America. We are trying to get people here to understand this.

The IMF, the U.S. government, the banks, their view is very short-term. Short-term adjustment is not everything;

they must try to look at the long term.

EIR: Venezuela President Herrera Campins, in a Caracas speech yesaterday, said Venezuela will never accept tough conditionalities. But bankers here say that's just political rhetoric, and right after the [Dec. 4 presidential] election, the new government will mount a severe IMF program. Is this true?
Dr. Izaguirre: Venezuela admits that we need some adjustment, but some of the conditions demanded by the IMF are quite impossible to accept. For example, they want to put the domestic price of oil for our internal economic consumption up from the current price of $6 a barrel to the world price of $29 a barrel. That is five times the price, and would be disastrous for our economy.

Also, the IMF wants to cut our public-sector deficit; by now, however, our 1983 deficit is set, and we don't need any assistance from the IMF in 1983, so we won't have an IMF program this year. As for 1984—we want the IMF to advise us on an adjustment program if we can reach some agreement on the terms. It must be done on our own terms. We need some adjustment, we want their advice, but not as sharp as they have demanded. I told them, "Only on our terms—after all, it is the Venezuelan people who will suffer the consequences of austerity, not the IMF's people!"

But we hope we won't even need IMF money in 1984.

If we have a sharp drop in oil revenue, we can't rule out the need for help. But if the oil price is stable, then we won't need it at all in 1984.

EIR: You emphasized the Quito heads of state conference [scheduled for early January]. Will it form an organization to deal jointly with the Ibero-American debt?
Dr. Izaguirre: The Quito conference will try to specify some kind of measures in trade and in the exchange of financial information. As you know, SELA [the Latin American Economic System] is trying to establish an information bureau to coordinate financial information on the debt between all the countries of Latin America. But Quito will be a conference of the heads of state, so they won't deal with such specifics, but they will work in the same direction.

EIR: They won't come up with specific measures on debt?
Dr. Izaguirre: Concrete steps will be more in the direction of trade coordination.

EIR: What will be the main results of the conference?
Dr. Izaguirre: The main results will be on the political level. Señor Hurtado [President of Ecuador] wants all the Latin American heads of states to be there, so we must find some middle ground upon which all can agree.

EIR: You mean that the debt issue cannot be directly addressed because certain heads of state would not attend?
Dr. Izaguirre: We must find common ground. The message of the Quito meeting to the rest of the world is the same point we have made here: we will insist that we cannot just continue adjusting and adjusting. We can't adjust any more.

Willard Butcher, chairman of Chase Manhattan, gave the following interview to EIR*'s Kathy Burdman at the IMF conference on Sept. 26.*

EIR: What will the banks do if the IMF quota bill doesn't pass the Congress?
Butcher: The banks are not worried about it a bit. We have plenty of money. We have lots of new deposits. It's the U.S. government that should be worried about it. If Congress withdraws us from the IMF, this will vastly reduce the U.S. role in world affairs. It will be the end of the U.S.-centered postwar financial system. The IMF and the rest of the world will just go on without the United States.

EIR: What will the banks do when the Ibero-American countries declare a debtors' cartel, and demand join renegotiaion of their $350 billion debt?
Butcher: You ask me what would I do if the sky falls. The answer is, I'd make a market in sky. I'd sell sky short. I can't plan for that sort of contingency. That's a doomsday scenario.

Excerpts from an interview by EIR*'s Kathy Burdman with Deputy Treasury Secretary Timothy McNamar on Sept. 26 at the IMF meeting:*

EIR: What is the Treasury planning to do about the Congress?
McNamar: Which Congress? The Brazilian Congress?

EIR: I meant the U.S. Congress, but okay, let's start with Brazil. What if they don't pass the IMF letter of intent? Are you afraid Brazil might join a debtors' cartel?
McNamar: I don't rule anything out. The Brazilian situation is very touch-and-go. If the Brazilian Congress does not pass the IMF legislation, the government may send it to court. Then the question is, which faction of the military runs the court. Some people in the military are against the IMF program. Maybe Brazil will just try to operate on the basis of a series of 90-day decree laws.

EIR: But you're not ruling out a debtors' cartel.
McNamar: We don't know just what will happen. We'll have to see what happens in Brazil in three weeks, *when their oil stocks run out. Then we'll see how uncooperative they are* [emphasis added].

EIR: What would the Treasury do if a debtors' cartel was formed?
McNamar: I don't know what we could do. It would be terrible. . . .

U.N. General Assembly head on debt crisis

The following are excerpts from an interview with Panamanian Vice-President Jorge Illueca, the newly elected president of the General Assembly of the United Nations, conducted by Fernando Meraz of the Mexican daily Excelsiór *on Sept. 25.*

. . .The developing countries, particularly in Latin America, face a dual crisis, [said Dr. Illueca]. On the one hand, the tremendous pressure exerted on them by the International Monetary Fund and on the other, the tremendous internal destabilization derived from the former, since for governments to reduce social costs, as the IMF demands, unemployment is increased. This creates desperation, and desperation breeds violence.

The months ahead will be dark ones for our people, said Dr. Illueca, with the sad air of an old professor who knows history and its lessons. "We have already had one year since the meeting of the International Monetary Fund announced to our Latin American people that subjecting ourselves to a strict austerity would be sufficient to bring about an economic recovery as if by magic and with it, the solution to our foreign debts. Twelve months later, we see only that our economic problems have worsened despite the painful sacrifices which our people have suffered to pay interest and amortize payments."

Illueca nonetheless feels that recent changes in the political map of the world have increasingly accentuated the responsibilities of the developing countries. In the present [U.N.] sessions, the involvement of Panama and Mexico will be vital, one with the presidency of the General Assembly and the other at the head of the Group of 77, the most important bloc of Third World countries. "Now is the time for the developing countries, which form the majority of the General Assembly, to organize ourselves to impose decisions which correspond to the general interest. And for this the participation of our blocs, such as the Group of 77 and the Non-Aligned Movement, will prove decisive.

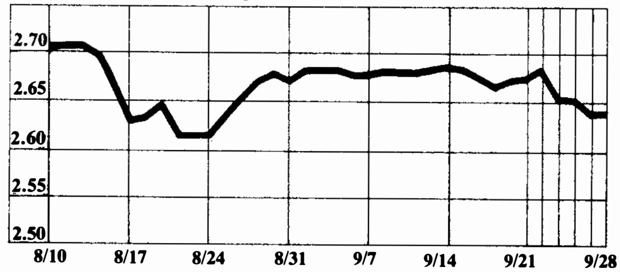
"Only with the joint action of these blocs can a realistic and objective strategy be undertaken. The desperate and worsening situation of the Third World and the international financial system cannot be ignored. Therefore we must try to launch, with great hope, global negotiations for a new international economic order which can effectively advance," he pointed out.

To achieve this it will also be important to establish a system of consultations among the most indebted countries which would allow a negotiating strategy to be established with the world financial centers, without the disadvantages currently implied by bilateral negotiations.

Currency Rates

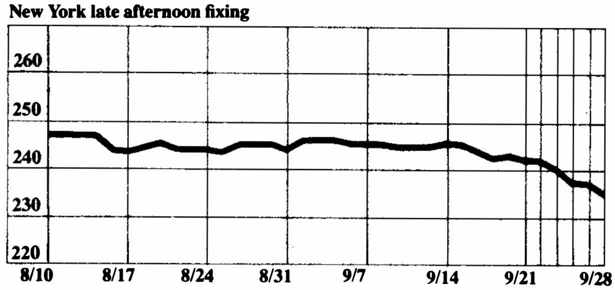
The dollar in deutschemarks

New York late afternoon fixing



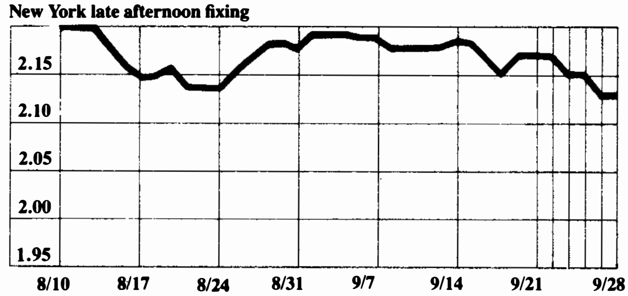
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing