

nations to obtain guarantees for bank financing to import food from the United States. As of mid-January, South Korean importers had used \$350 million of this. The USDA expects to spend \$2 billion of its annual budget for these purposes this year.

The Australian government on Jan. 20 agreed to put up Aus\$300 million as insurance for Australia's Aus\$7 billion export trade with South Korea, because South Korean importers could not arrange financing. Australian Industry Minister John Moore said that the \$300 million insurance package was desperately needed. "This is an emergency situation," he said. The Australian government-owned Export Finance Insurance Corporation, which normally provides insurance for risky markets, recently hit its limit.

As of mid-February, the Group of Seven (United States, Canada, Japan, France, U.K., Germany, Italy) was involved in discussions, with the backing of Treasury Secretary Rubin, to create a trade-finance pool of funds. Representatives of Hermes, the German export credit agency, were expected for

meetings in Washington, D.C. on Feb. 11; and meetings were under way in Europe. James Harmon, chairman of the U.S. Export-Import Bank, said the pool may total \$10 billion, and marks "the first time ever that export credit agencies of all G-7 nations, which normally compete with one another, actually get together and cooperate like this in order to deal with an emergency."

That \$10 billion is a drop in the bucket. But the direction posed, of addressing questions of real output and trade of hard commodities — foods, fuels, intermediate and finished goods, is the right direction. If this, and the real interests of keeping national functions going, were taken up at the conference of nations on the financial crisis, later this spring (over 22 nations pledged to attend so far), there is potential for getting beyond the IMF collapse. The United States is hosting the meeting. The Caracas Group of 24, meeting in Venezuela on Feb. 9-11, issued an official declaration, calling for a new monetary system, and requesting collaboration with the Group of Seven on this task.

## A tool for British colonial domination

On Feb. 10, the government of Indonesia confirmed the appointment of Steven Hanke as special counsellor to the Board of Economic and Monetary Stability. Hanke, since the 1960s, has been a professor of applied economics at Johns Hopkins University in Baltimore; and since the 1990s, part of the Friedberg Group of Companies (FGOC) of Toronto, Canada—a hedge fund, specializing in currency speculation. Though he travels on an American passport, Hanke himself, and his pet policy of the "currency board," are strictly British goods. Hanke met with President Suharto in early February, and shuttled back to Indonesia mid-month, to push his career specialty—the currency board—which was devised and implemented over the past 150 years as a practice of the British Empire for controlling colonies through monetary reins.

The currency board practice means that the colony only emits local currency in a one-to-one relation to holdings of the designated "mother" or "metropolitan" currency; the colony has no sovereignty over currency volume, credit, etc. The practice dates back to Britain's Bank Charter Act of 1844. London set up its first colonial currency board in 1849.

As of the 1970s, currency boards had all but died out, as former British colonies gained their independence, and ditched their monetary ties to London. But, in recent years,

Hanke functioned as part of a concerted effort of financial interests in London to reimpose currency boards, on any vulnerable nation, in the name of "stability" and "investor confidence." Hanke did his dirty work as counsellor to Argentina (1995-96), to Bulgaria (1997), to the eastern Baltic nations, and so forth.

Meantime, Hanke pursues his related specialty, speculation against national currencies. The 1997 fourth-quarter corporate report of the speculation house Hanke is affiliated with, boasts of the company's success in gambling in Asia. The currency trading division of the Friedberg Group of Companies reported: "It was a far better quarter than we had ever imagined it would be. . . . The rapidly depreciating Malaysian ringgit provided almost 50% of our total gross profits, with another 25% attributable to bear strategies (selling calls and outright forwards) in the Japanese yen. The remaining profits came from . . . short positions in the Thai baht, the *Indonesian rupiah* and the Czech koruna" (emphasis added).

On Jan. 30, Hanke testified to the U.S. House Banking and Financial Services Committee, calling on Congress to mandate that the International Monetary Fund become more currency-board-friendly. Hanke extolled the case of Bulgaria in 1997, in which the IMF ordered that nation to relinquish its sovereignty, and set up a currency board, or get no IMF credits. Bulgaria complied, under conditions of desperation from national food shortages and economic breakdown.

Forthcoming issues of *EIR* will give full profiles of Professor Hanke, his speculation, and his currency boards.—*Richard Freeman*.