Javits Office Finds Third World 'Remarkably Cooperative'

The following is an interview with John Rosenbaum, an aide to Sen. Jacob Javits (R-NY), who handles international economic affairs and Latin American affairs for the Senator.

Q: It is reported in the press that at Senate Foreign Relations Committee hearings, Sen. Javits called for international financial agencies, such as the IMF to provide a $50 billion bail-out to the U.S. banks if the Third World declares a debt moratorium. Is this true?
A: Yes, I checked the story with Senator Javits himself and he says it's accurate. What the Senator is saying is this. If some country defaults — Zaire is the most likely case — this in itself won't cause a crippling problem for American banks. But Zaire may be taken up as a precedent among Third World countries. What you'll have is a massive amount of developing countries defaulting or declaring moratoria. Under these conditions, such a bail-out would have to be arranged.

Q: Is it true that at the same Senate hearings, Javits said, "we must go on the offensive" on Third World indebtedness, and what does that mean?
A: We must take up the problem of OPEC. U.S. banks are shielding OPEC from the anger of non-oil LDC's. OPEC is making short-term deposits in U.S. banks, and these banks are then lending to the non-oil LDC's long-term, but it is the U.S. banks who get stuck with the risky loans and the dissatisfaction of the LDC's. Thus, U.S. banks are protecting OPEC, and why should we be the ones to receive their anger?

Q: Is Senator Javits supporting the Common Fund for world commodities?
A: Yes. The Common Fund is needed to stabilize commodities, and eliminate the boom-bust cycle in prices. But down the road the Common Fund raises questions. At what price should commodities be set? What happens if the prices are raised very high?

I think what will happen is that this will provide a stimulus for U.S. companies to search for alternatives to these commodities. Let's say Jamaica raises the price of bauxite too high. Then U.S. aluminum producers might have to search for bauxite in domestic clay supplies. This may be the stimulus needed to make investments in processing American clay, which would then take away the uncertainty of American bauxite supplies. We can make other substitutions. For instance, we can drink more tea to some extent and less coffee. Instead of using copper for piping we can use plastics. We can also use glass fibers for telephones instead of African copper. Thus we can reduce copper importation.

Q: Are you making any preparations for the North-South talks?
A: We're seeking adjustments in the U.S., like legislation, that would make it easier for us to bargain at North-South, that would give the U.S. wider bargaining latitude. Some of these changes we would like to see are: first, legislation to allow the Third World to increase its exports to the U.S., to give them more access to the U.S. in terms of trade; second, to increase technology transfers to the Third World; third, to increase the role of multi-lateral lending agencies; and fourth, to make changes in PL-480, the U.S. food-aid, so we can use PL-480 in setting terms of trade.

I think also, we'll have to get legislation that will allow American industries that are harmed by increased Third World trade some form of adjustment. The Foreign Economic Policy subcommittee (of the Senate Foreign Relations Committee) will be studying and trying to work out overviews on the North-South dialogue, OPEC, East-West relations, and the role of U.S. bank lending to the LDC's in the next few weeks of hearings.

Q: How do you think the U.S. should handle strident countries, such as Algeria, at the North-South talks?
A: Not all Third World countries are alike, some like Algeria are radical,and others are not. What I find remarkable is that the Third World countries are cooperative. Despite their differences, they show a remarkable amount of cohesion.

I'll tell you what else amazes me is why the Soviets have not done a goddam thing about the Common Fund. They talk about colonialism and neo-colonialism being the chains that oppress the Third World. They could be doing more."

Carter Administration In Desperate Effort To Keep IMF In Operation

Undersecretary of State Richard Cooper and Treasury Secretary W. Michael Blumenthal last week informed Congress of a full-scale effort by the Carter Administration to beef up the funding and police powers of the International Monetary Fund. Virtually all Administration and related Congressional outlets, as well as banking spokesmen, now demand that the IMF "move to the very center of the world's financial stage," in the words of *Business Week* March 28.

The sudden contraction of attention on the IMF —

Business Week speaks of a "dramatic rebirth" — is a response to a series of events which has placed the Western banking system, and over-exposed institutions like Chase Manhattan, on the chopping block. First, both Western European and oil-exporting countries showed at this week's meeting of the United Nations Conference on Trade and Development in Geneva that they could not be cowed into accepting UNCTAD's price-fixing plans, despite the Carter Administration's swing in favor of the program. Secondly — as a special report by a Senate Foreign Relations subcommittee warned this week — West Germany has made it plain to the Carter Administration that the latter's demands for "coordinated reflation" are totally unacceptable. These two developments are related, since the continued rollover of about $300 billion in Third World debts depends on high commodity prices and high rates of inflation in the leading industrial countries. Third, as the David Rockefeller address before the Economic Club of New York states bluntly, the Western banking system will not make it through without the intervention of the international institutions.

Carter, Rockefeller, Blumenthal and Co. are making a final demand on Europe, Japan, and the oil-exporters: the credibility and bailout-power of the IMF must be kept together at all cost. The IMF presently has almost no funds for additional loans whatsoever. The Fund's authority to impose additional levels of austerity against Third World debtor economies, which all spokesmen of the Rockefeller group agree is a pre-condition for the survival of the Eurodollar market. Last year the Eurodollar banks survived because they were able to convert close to $30 billion of volatile short-term Third World debt into long-term debt, but the premise for this was a 15 percent cut in imports in real terms.

A further round of such cuts means the application of the Chile "solution" to virtually the entire Third World, and is not possible without the top-down control of the IMF as the world's monetary policeman.

Numerous plans are in circulation (see EIR Vol. IV no. 11) including a pet project of Zbigniew Brzezinski to revive the old OECD "safety net" formula, and a $10 billion special IMF kitty cited by Secretary Blumenthal in a March 16 interview with the London *Financial Times*. The content of these various "options" is identical: Rockefeller desperately wants a few more months' of time to extend covert operations and open armtwisting against uncooperative governments, in order to break European and other resistance to his program. In effect, he is telling Europe that he only wants the Sudetenland, and that the question of Poland can be postponed.

Sophisticated Wall Street estimates say that the main financial conjuncture this year will come towards the end of the third quarter, at which point even the proposed IMF scheme, if it succeeds, will be inadequate to hold the financial situation together. The Third Quarter represents the bulk of the approximately $20 billion in Third World amortization, and also the seasonal high of U.S. Treasury financing. Getting through until then demands the cooperation of the Europeans, Japanese and Arabs to "restore" confidence in the bankrupt dollar monetary system, and provide cover for U.S. "enforcement" against the Third World — as in the case of Cyrus Vance's intervention into the Zaire events. "Keeping the ball rolling" also depends on high levels of price inflation in the U.S. economy, in order to maintain Third World export earnings (see Business Outlook).

Western European governments know that if they crack under the pressure they may not survive in power this year. The case of the IMF's austerity terms to the Italian government of Giulio Andreotti is the most important test case. If Andreotti accepts the public-spending limitation the IMF has demanded, his working alliance with the Italian Communists will be endangered. But none of the governments is yet willing to publicly reject the IMF plants, and directly provoke a collapse of the dollar. So the Europeans are employing elaborate stalling and disinformation tactics to keep Carter at bay until the IMF's Interim Committee meeting in Washington April 28. "Absolutely nothing concrete has been proposed or agreed to, and there is no concerted agreement of any sort" on IMF funding, says a European Executive Director in Washington. But the time the Europeans have left to stall is measured in days.

David Rockefeller Demands A Bailout

The following is excerpted from the address by David Rockefeller, chairman of the Chase Manhattan Bank, at the Economic Club of New York on March 15, 1977.

...You will recall that last year at about this time, America's newspaper headlines and nightly T.V. news shows were dominated by a spate of dramatic stories about banks allegedly in trouble — all over the country. Understandably, these stories shook the confidence of the American public in our financial institutions at a time when confidence was badly needed.

More recently, the subject of banking problems has reappeared in the press in the form of *bank lending to foreign borrowers*. And as before — if not yet as dramatically — this story too has made its way to the front page, in an increasingly foreboding tone.

To gain some perspective on these issues, let's look back briefly to the "problem bank" story of January 1976. It began with an article emblazoned across the front page of the Sunday *Washington Post*, which centered on the Chase and Citibank. Basically, the story concerned a then 18-month old confidential report of the Comptroller of the Currency — obtained through unnamed sources — which allegedly labeled both institutions as "problem banks" due primarily to classified loans. Reaction from the banks, the Comptroller and the chairman of the Federal Reserve Board was immediate and unified in its denunciation of the newspaper article and the im-