

that spun off Giscard's discussions in Mexico. The director of Mexico's central bank, Romero Kolbeck, declared March 6 that Mexico now will recognize no obligation to give even pro forma attention to the IMF's austerity-deindustrialization formulas, since it has repaid all its obligations to the IMF. In Washington at the IMF's meeting of the Group of 24 developing-nation spokesmen the same day, Mexican Finance Minister David Ibarra Muñoz pressed Mexico's 1978 call for a \$15 billion international development banking institution to finance capital goods imports for the Third World. Ibarra stressed the long-term, low-interest, development focus of the proposed fund in caustic contradistinction to the IMF's practices.

The G-24 as a whole proceeded to issue a statement terming Third World indebtedness the main obstacle to the sector's economic growth, and endorsing Ibarra's proposal. It has been the lack of any EMS counter-institution to the IMF that in the past has prevented such initiatives from guiding the actual week-to-week diplomatic behavior of the G-24 and its constituents.

At the Interim Committee meeting itself, the Anglo-American contingent quickly lost hope of forcing some motion toward the IMF's goal of replacing the dollar as the international reserve currency. At the beginning of

the sessions, the U.S. Treasury—frank and ardent supporters, under Blumenthal and Under Secretary Anthony Solomon, of using the SDR for that purpose—startled international backbenchers by announcing that, in view of the dollar's stabilization under the Nov. 1 international agreement, Washington no longer favors immediate creation of a \$150 billion "substitution account" whereby central banks would trade dollar holdings for SDR's.

All too aware that the substitution account was dead, the IMF secretariat under Jacques de Larosière had prepared other gambits to keep antidollar proposals on the table. (1) It stressed in the meeting and the final communiqué that SDR's can be used as collateral and remittance for central bank credits and pledges. (2) It proposed that central banks queasy about holding dollars could put them into the IMF and receive guarantees against dollar depreciation measured vis-à-vis the SDR, which is a basket of currency values. (3) Alternatively, the U.S. could agree bilaterally with any central bank to make good on losses from dollar depreciation over a certain period of time. (4) At the close of the meeting, de Larosière added another twist: creating assets that "would not be proper SDRs, would not be issued in SDRs, but could be denominated in and

Questions and IMF answers

At the end of the IMF Interim Committee meeting in Washington, D.C., IMF Managing Director Jacques de Larosière and British Chancellor of the Exchequer Denis Healey held a joint press session. A transcript from EIR Washington correspondent Laura Chasen is excerpted here.

Healey: (in opening remarks): Most important, we came to grips with the question of organizing the substitution account, which should be seen as a reinforcement for the SDR as the principal reserve, rather than as a buttress for reserve currencies that are under pressure.... There are important technical problems to be solved on this....

Q: *The G-24 made two suggestions for a medium-term facility and for a facility for importing capital goods by developing countries. Why is this not mentioned in the Interim Committee communiqué?*

De Larosière: This question was not examined today. I think the development committee intends to have it studied....

Q: *Was the EMS discussed?*

Healey: No, except that (French Industry Minister René) Monory explained that it would not operate in a way which was either intended to or would jeopardize the operations of the IMF. The role of the European Currency Unit which is purely regional is not in any sense competitive with the SDR.... As you know, Giscard withdrew his reservations and a meeting is taking place now to decide the modalities. Another UK delegate is replacing me there because I could not bear not to be with you here.

Q: *Was support for the substitution account unanimous?*

Healey: Yes.

Q: *Why has the U.S. view changed?*

Healey: You should ask them.

Q: *Is the link between the SDR and development finance still active?*

De Larosière: The concept is still around, but some governments have been hostile to it, so there has been no movement.