International Monetary Fund under heavy attack

by Alice Roth

The French government has joined forces with a coalition of Third World nations, led by India and Mexico and including a number of other members of the "Group of 77" or nonaligned bloc, to deal a series of embarrassing setbacks this week to the Carter administration-backed International Monetary Fund. The IMF has been targeted by the Group of 77 because of the IMF's policy of attaching severe austerity conditions to its loans, measures which often result in a collapse of economic growth in the borrowing country. French officials and other Western European government and business leaders believe the IMF's "conditionalities" are throttling the expansion of exports by industrialized countries to the Third World, contributing to global depression.

The assault on the IMF began with a vote in the United Nations General Assembly on Sept. 16 on a resolution initiated by Indian Ambassador Brajesh Mishra. Passage of the resolution would have given the U.N. General Assembly a mandate to discuss reform of the IMF as part of the ongoing North-South negotiations. Carter administration officials opposed the resolution on the grounds that such discussion should be conducted within the IMF itself, where the pro-austerity U.S. government has overwhelming veto power. Since the U.N. resolution required unanimous vote for passage, the U.S. was able to block it but was stung by the fact that Britain and West Germany were the only other nations to join in the "nay" vote. Furious at the French backing for the G-77, the State Department has filed a protest with Foreign Minister François-Poncet.

Meanwhile, the IMF and its sister organization, the World Bank, were dealt another setback when they failed to get a quorum last night on the vote on a U.S.-backed resolution which would have barred the Palestine Liberation Organization (PLO) from having observer status at the IMF/World Bank annual meeting later this month. The PLO issue is of no great importance in and of itself but is being used by the Saudis and other moderate OPEC governments, apparently with French encouragement, as a test case for determining whether OPEC will have a say over IMF policy-making. The Saudi and Kuwaiti governments have stated that they will withhold $25 billion in projected loans to the IMF, if the PLO's observer status is denied.

According to IMF sources, the French hope to take control of the IMF, as a result of their good relations with the Saudis, and push through some far-reaching policy changes. These changes could include an extension in the period in which borrowing countries must repay loans, a return to fixed exchange rates, gold remonetization, and a junking of IMF officials' plans to make the Special Drawing Right the world reserve currency.

While the French maneuver to make world monetary institutions more conducive to industrial development, Carter administration spokesmen are calling openly for the depopulation of Third World nations, even going so far as to cite the Nazi model. At a banking conference in Alpbach, Switzerland this week, Richard Cooper, U.S. Undersecretary of State for Economic Affairs, shocked

European bankers with his statement that present world population growth rates are excessive and could, by 1990, lead to "open conflict, greater terrorism and possibly localized anarchy," as well as "congestion, famine, deforestation." The coming decade's population growth will equal "nearly half the total world population when I was born," Cooper said, and even then, "some political leaders were calling for more *Lebensraum*."

According to *Washington Post* columnist Hobart Rowen, the entire U.S. administration, including Carter personally, have conducted "a strenuous lobbying campaign" to win support for the anti-PLO resolution among the 410 IMF/World Bank member nations. However, today's *New York Times* reports that a quorum was not achieved as of the 6:00 P.M. voting deadline last night, and that World Bank President Robert McNamara was frantically attempting to arrange an extension in the deadline. If no quorum is reached, the PLO will be seated, since the chairman of the annual meeting, Tanzanian Finance Minister Amir Jamal has pledged to admit them without a contrary resolution.

According to sources on Capitol Hill, Congress will almost certainly refuse to vote new funding for the IMF, if the PLO is allowed to attend the annual meeting. The administration had requested that Congress appropriate an additional $5.5 billion for the IMF as the U.S. share in a 50 percent increase in IMF quotas. Both the House and Senate passed bills this week approving the funds, but the House version states that U.S. support for the IMF will be "seriously diminished" if the IMF provides the PLO any kind of "official status."

This places the Carter administration in a tight spot, because voting power in the IMF is weighted according to how much a country financially contributes. If Congress cuts off funding to the IMF, and other countries, such as the Saudis, make up the difference, the U.S. will lose its present veto power. The French could then be in a position to implement the above-mentioned IMF policy shifts.

Alternatively, the French might decide to junk the IMF altogether and proceed with the creation of the long-awaited European Monetary Fund, turning the EMF into a source of low-interest credits to fund Third World industrialization. The latter alternative seems much more workable than attempting to "reform" the IMF from the inside, but the French have as yet given no public indication that they plan to take this route.

The Saudis are willing to collaborate with the French on IMF reform, sources at the IMF say, because "the U.S. is against the Saudi policy of economic growth and cannot guarantee the Saudis politically, witness Iran."

State Department officials have criticized the role which the French have played, both in the U.N. vote and in the Saudi struggle with the IMF. Secretary of State Edmund Muskie has directed the State Department to send cables to the U.S. ambassadors in each of the OECD (Western industrialized) countries voting with the Group of 77 in the U.N. vote, directing them to register a protest. France in particular has been singled out. According to State Department sources, U.S. Ambassador to Paris Arthur Hartman will see French Foreign Minister François-Poncet "to express our displeasure. We're telling them that they're playing games. What they're doing is regrettable. And," the source added in a threatening tone, "they will get the idea."

The British plan for the IMF

The British are also plugging IMF "reforms" but for very different reasons. In a Sept. 16 interview with the *Wall Street Journal*, "Kit" McMahon, the Deputy Governor of the Bank of England, stated that international agencies should "lend longer, more and with slightly less rigorous conditions than were appropriate in the 1950s and 1960s."

The British in fact are promoting a plan to transform the IMF into a full-fledged world central bank, which would give the institution more not less power to impose anti-growth policies on national governments. British officials and private bankers are advocating that the IMF become a major borrower on the private capital markets. This, they say, would allow the Fund to assure control over a large portion of the OPEC petrodollar surplus without having to rely on direct borrowings from OPEC, which would give OPEC political leverage over the IMF.

The next step, according to Carter administration officials who support the British plan, is for the IMF to lend in joint consortia with private commercial banks, an arrangement known as "co-financing." In this way, London and New York banks will no longer have to bear the risk of refinancing Third World debts, now amounting to about $350 billion. More to the point, the IMF will be directly involved in virtually every private credit to a Third World borrower, making it impossible for national governments to resist IMF pressures for austerity measures.

"If the IMF did get more involved in co-financing, in the placing and taking of funds in the Euromarket, we would in effect be creating a truly international central bank or lender of last resort," commented Robert Bench, head of the international department at Treasury's Office of Comptroller of the Currency. "It would be like a discount window at the Fed."

IMF managing director Jacques de Larosière is expected to raise the issue of IMF tapping the private markets at the upcoming annual meeting. The *Journal of Commerce* reported on Sept. 15 that the major New York commercial banks are lobbying for a review of the IMF charter, with the aim of having the Fund "reorganize itself into something more closely resembling a bank." Among the changes they want to end the $5 billion limit on IMF private borrowing. ■