Arco and the IMF: a metal-price game

A dollar collapse, Third World exports, and U.S. mining shutdowns are part of this "bailout" plan.

The International Monetary Fund (IMF) is subsidizing Third World exports to the United States of primary metals, at the same time that U.S. metals production is collapsing, a leading Democratic Senator charged the second week in January. The arrangement, which is largely based on fluctuations in the exchange rate of the dollar, is hurting both the Third World and the United States in a way this Senator wants to stop.

In discussions with *EIR* reporters, aides to Montana Democrat John Melcher reported that they are preparing to bring up the IMF's unfair manipulations of international trade. The forum will be the current congressional hearings on whether the IMF should be given increased funding. With unemployment rising in the United States, Melcher thinks this evidence of IMF use of its resources to encourage dumping of cheap imports to the detriment of U.S. producers may throw an effective obstacle into congressional passage of the new IMF funding request.

If Melcher sticks to his guns, he will also probably find himself in confrontation with Robert O. Anderson, chairman of the Atlantic Richfield Corporation. It has become clear that Anderson is complicit in the IMF effort to shift basic metals production entirely to "cheap labor" areas of the Third World.

On Jan. 6, Atlantic Richfield's Anaconda subsidiary closed down its copper mining pit in Butte, Montana, Melcher's state, laying off 1,000 mineworkers. As of that point, only one copper-mining pit in the entire United States is still operating.

Melcher's office did some probing and came to the conclusion that the only way to begin addressing the mining industry's collapse was to take it up as an international issue. They learned that throughout 1982, the IMF was making loans to Third World producers of copper and other basic metals, specifically to subsidize exports to countries like the United States at reduced prices.

During 1982, $3 billion in IMF funds were allocated from the IMF's "compensatory financing" facility, where distribution of monies is directly tied to subsidization of export earnings. Most of these allocations were made in the second half of the year, and made up an important component of the hectic emergency "bailout" operations the IMF has been orchestrating since August.

In addition to such basic commodity producers as Chile, Brazil, and Guyana, Hungary has received IMF export subsidization for manufacturing and machinery exports.

The Senator's office emphasizes that they do not want to present this issue as an argument in favor of protectionism, but rather as evidence of the failure of the IMF as an institution. "Melcher is convinced," his office reports, "that if a system is in effect whereby Third World countries are convinced to produce below costs of production, we're really creating a deeper hole for the Third World."

The fact that Robert O. Anderson is also viewing the collapse of U.S. mining as an international issue was made clear on Jan. 11, a few days after Anderson ordered the shutdown of the Butte copper mining pit.

That day an op-ed column by Anderson appeared in the *New York Times,* calling for a collapse in the international parities of the U.S. dollar, as the first step in reordering international trade along lines favored by the IMF.

Arguing that the dollar is overvalued, and that this is wrecking the competitiveness of U.S. exports, Anderson continued: "The cost of producing copper in Chile . . . in terms of United States currency, has dropped from 73 cents to 49 cents a pound during the past year. This places the Chilean copper industry in a profitable position at the very moment when every major copper deposit in the United States is under study for complete shutdown. No amount of increased productivity at home can overcome a handicap of this dimension."

In fact, it has been precisely during the period since November 1982, in which the dollar has been falling in value, that such Third World imports have marginally risen—despite a nominal increase in their price. Ever since the great financial crisis of 1982 erupted, any normal link between currency values and export competitiveness has been destroyed.

By calling for a collapse of the dollar, Anderson is actually calling for another additional bailout to be patched together for Third World debt: a bailout based on dumping cheap exports on a collapsed U.S. economy, in exchange for a larger volume of depreciated dollars. These dollars would then go not to the Third World producers, but rather to their bank creditors.