At Geneva gathering, Kissinger Associates and BIS plan world debt reorganization

by Kathy Burdman

Bank for International Settlements President Fritz Leutwiler and Henry Kissinger's mentor Lord Harold Lever joined with leading Swiss, British, and Italian bankers at a secret conference in Geneva, Switzerland last month to plot a restructuring of the world debt system. The "World Conference on Economic and Social Order," held in Geneva Aug. 22-24, also featured many of the "brains" behind the current International Monetary Fund world austerity order, including Fabian Society founder Sir Friedrich von Hayek, former BIS head and Dutch central bank chief Jelle Zjilstra, Bank of Italy director Giovanni Magnifico, and Lazard Freres consultant Elliot Janeway.

The conference was organized by Robert B. Anderson, U.S. Treasury Secretary under the second Eisenhower administration, an adviser of Henry Kissinger, and consultant to Chase Manhattan, Pan American, and other major multinational banks and corporations. The conference adopted a final "Draft Report" on world debt and currency reorganization, and founded a new permanent organization, the Global Economic Action Institute, headed by Anderson, "to pursue this work until the program is adopted by the U.S. and other major world governments," one conference participant stated.

Although Kissinger personally did not attend, the conference outlined in more depth the policies of debt control which Kissinger Associates, Kissinger's private corporation, has been promoting within the U.S. government in corrupt manipulation of his new political power in the business interests of his clients such as Chase Manhattan. Lord Lever's plan for world debt restructuring, the centerpiece of the Geneva conclave, is the endorsed policy of Kissinger and his British business partner Lord Peter Carrington.

Edge of crisis

The conference was keynoted by BIS President Fritz Leutwiler, a long-time friend of Robert B. Anderson, who was called in to tell the assembled international bankers and economists that the world debt system is "on the edge of crisis," one participant said. Leutwiler's actual speech, and all the conference speeches, are being kept totally secret by the Anderson organization, "a condition requested by Leutwiler and others so that they might speak their minds freely about the crisis and its solutions," a spokesman for Anderson's consulting firm Robert B. Anderson said. But according to eyewitness reports obtained by *EIR*, Leutwiler openly stated that the present world banking system is on the verge of failure, and that a new system must be established.

The BIS as presently constituted, he said, "cannot do the job alone," as one participant paraphrased Leutwiler. "The BIS can only make standby emergency loans, to stave off immediate bankruptcy of individual nations such as Mexico or Brazil," Leutwiler reportedly said. "But there must be something more than these ad hoc arrangements" created to deal with the total breakdown of the financial system.

The conference was then divided into six subcommittees, dealing with all aspects of world finance. Subcommittee One, "The Role of the Central Banks in Restructuring the Debts of the LDCs," was headed by Mexican banker Ernesto Fernandez Hurtado of the Banco Nacional de Commercio Exterior, and included Lord Lever, von Hayek, Japanese banker Takashi Hosomi, former Federal Reserve governor Andrew Brimmer, former Treasury Undersecretary Edwin H. Yeo, and Mont Pelerin Society economist Allan Meltzer of Carnegie-Mellon University. Subcommittee Two, "Commercial Banks' Internal and External Debts, and Prospects for a Worldwide Insurance Agency," dealt with the restructuring not only of bankers' Third World (external) debt, but of their own balance sheets and inter-bank (internal) debt.

Subcommittee Three, "Maintaining Appropriate Capital Flows to the LDCs," dealt with schemes to enable creditors among banks and multinational corporations to buy up equity ownership in bankrupt Third World nations. Subcommittee Four discussed "The Role of the World Bank and the IMF in the Current Crisis." Subcommittee Five, "Towards World Financial Stability in Exchange Rates," discussed ways of using a pegged currency rate system to force industrial nations, especially the United States, to cut their budgets as proposed by the BIS in its July 1983 Annual Report. Subcommittee Six, "Securing Productive Investment of Floating Capital Worldwide," discussed the use of illegal drug and other black market money in the new reorganization scheme.

Subcommittee One, "The Role of the Central Banks," "concentrated on plans put forward by Lord Lever, Felix Rohatyn, and Minos Zoambanakis of the Greek central bank, for governments and central banks to back up the world private debt," one participant revealed. "Lever and his group insisted that the central banks, as now functioning, cannot back up the system alone. They need the U.S. and other governments to establish new institutions to take over the debt. They insisted the banks must be bailed out—that the debt must be taken off the books of the banks before they collapse, and recycled through new government-backed institutions. . . ."

A brawl erupted over this approach in both Subcommittees One and Three, observers said, when Lever, Magnifico from the Bank of Italy, and Third World financiers such as Alfredo Machado of the Venezuelan Central Bank and Hurtado of Mexico, insisted on a total buyout "over time" of the entire $350 billion in short term Third World and East Bloc debt. This was attacked by a group of "free market" ideologues from the Swiss-based Mont Pelerin Society, led by Dr. Karl Brunner of Zurich and Rochester University, New York; Dr. Allan Meltzer of Carnegie-Mellon, and the Heritage Foundation; and U.S. Joint Economic Committee economist Robert Weintraub.

"The Lever plan is a bailout for the banks," Meltzer reportedly complained. "It is not the responsibility of the government to make good private banks' bad loans. It will only postpone the debt crisis."

Meltzer and Brunner, an adviser to the Swiss National Bank, reiterated their January 1983 plan for the banks to reorganize the debt themselves. This position, which had previously been backed by Leutwiler and the Swiss National Bank, holds that the U.S. banks should be made to take their losses. Leutwiler himself left the meeting before the argument, and did not take sides.

End to national sovereignty

The Brunner group, however, put forward a new plan on which all participants agreed: "The banks must simply force the debtor nations to convert bad debt into equity holdings in the debtor nations," Meltzer reportedly said. "Then the banks will have a real portfolio of actual assets in the LDCs." The Mont Pelerin group proposed this be done with cooperation but no financial support by governments. "The banks hold three types of LDC debts," Meltzer said, "debts of private companies, debts of public sector companies such as Pemex in Mexico, and debts of the central government—all of which are really the same. Private companies in Mexico, for example, should give creditors equity shares in exchange for the debt. The public sector companies such as Pemex or Petrobras in Brazil must stand surety for the entire government debt. The debtors must grant the creditors equity shares in the public corporations, in exchange for the debts of both the public companies and the central government."

This proposal means an end to the national sovereignty of the debtor nations—as pointed out explicitly by Mont Pelerin sympathizer Alan Greenspan at the Vail, Colorado economic conference late last month. As *EIR* reported in its Sept. 13 issue, Henry Kissinger and Greenspan are already pushing the equity plan.

A score of officials from Venezuela, Argentina, and other developing nations have since told *EIR* that they will never tolerate such "equity" violations of their national sovereign rights. But participants at Geneva reportedly laughed at the debtors. "It won't be so difficult at all," said one Mont Pelerinite. "We're alread holding private talks wih most of these governments."

A pilot project for Kissinger's equity scam is reportedly already underway in Mexico, where the Levi Strauss Co., a client of Kissinger Associates, is "already converting debt into equity," one source told *EIR*. Levi Strauss has amassed "up to $5 billion" in trade debt in Mexico from local manufacturers, which the Mexicans can't pay. To settle accounts, the Mexican government has reportedly agreed that if Levi Strauss accepts payment in pesos, rather than scarce U.S. dollars, then Mexico will allow the pesos to be used "to acquire equity investments in Mexican companies," the sources said. "To do this, Mexico will have to change its laws against foreign majority ownership, but they are prepared to do so."

The kitchen sink

Following this debate, a remarkable compromise Draft Report was produced by the conference, in which the Lever and Mont Pelerin groups combined both their methods to destroy the developing sector.

The Draft Report compromise "contains a program with everything but the kitchen sink" for "reorganizing the world monetary system," an IMF official said. Asked how the two factions could come up with a joint plan, and how they could possibly expect world governments to even consider such schemes, the official said, "They must know something we don't know. I don't see any evidence in Washington that anyone would accept such plans. But the Geneva group must think there will be some sort of international crisis which will change peoples' thinking about what must be done."

The draft, to be promoted by the new Global Economic Action Institute, "calls for the plan outlined by Lever and published in the U.S. by [Lazard banker] Felix Rohatyn for founding a new institution to take over the Third World debt," the IMF official revealed. "This new organization would be related to the IMF. It would refund [buy up] private banks' loans to the Third World—take them over. The short-term debt of the banks would be converted to longer-term debt of the new institution." The banks would be left with the IMF sister-agency's bonds, and the IMF agency would hold the

Third World's debt.

IMF conditionalities would be applied to the Third World debtors over which the IMF, through the new agency, would hold control during the entire 20-30 year period of maturity of the new long-term bonds.

The new institution would function as a true world central bank, since it would "capitalize" the old bank debt it receives as a base upon which to pyramid new credit. The new credit is to be guaranteed by the U.S. taxpayers via a government guaranty, the IMF official said. The United States and other OECD governments are to offer "political risk insurance" to the new agency, under a plan written by Robert B. Anderson. To qualify for insured credits, however, debtors would have to cut their population growth and implement severe austerity programs.

The Draft Report also incorporates the "equity" plan. "The report recommends that banks adopt the Chrysler-International Harvester technique to convert burdensome debt into preferred stock and other forms of equity," the IMF official said. "Whatever can't be turned into equity, can be sold to Lever's new agency."

To help out the banks with their own "internal" debts, the report proposes that the U.S. government "strengthen the capital position of the banks," by allowing them to sell U.S. government guaranteed stock themselves! "Banks should be authorized to issue new shares of preferred stock to the market with central bank assurances or guarantees," the report states.

The new institution is to become the world controller of flight capital, furthermore, absorbing all of the dirty money generated by the drug trade and "recycling" it into the new bailout schemes. Under the rubric "Securing Productive Investment of Floating Capital," the report proposes that the new entity would "offer bearer shares or convertible debentures to holders of funds, particularly in the developing countries, who do not wish to hold these funds in local currencies." It would legalize this flight capital into the new agency's bonds.

The report further proposes that these "bearer shares" in the new institution be "backed by gold and redeemable in gold or at a fixed exchange rate," to attract money for all over the world.

A new Bretton Woods

Preparatory for the IMF Annual Meeting Sept. 27-29, where the Geneva report will be promoted by the Anderson group that has rented a suite at the Washington Sheraton for the purpose, a series of other conferences have been organized to revamp world finance.

On Sept. 26, the British Commonwealth will issue its report, "Towards a New Bretton Woods," to be published in London in time for the IMF meeting. The report will be the subject of the September 21-22 Commonwealth Finance Ministers' summit in Trinidad, and of the Commonwealth Heads of State summit in New Delhi, India, in November.

The report calls for the formation of the International Committee of Finance Ministers to organize "a new Bretton Woods global monetary conference" within the next 12 months. The Commonwealth Secretariat Economic Advisory Committee, chaired by Lord Harold Lever himself, concludes in the report that a new world central bank must be established. It further calls for the IMF to establish a new world currency. Thirdly, it calls for the creation of an "International Trade Organization," as proposed by Keynes after World War II, to control world trade. The new ITO would combine GATT, and UNCTAD, and would have the additional power to enforce trade rules by linkage to the IMF itself. Any debtor violating the ITO trade regulations would be cut off from IMF funding.

During the first week of September the Aspen Institute for Humanistic Studies also held an extensive "Workshop on Saving the World" at its Aspen Colorado retreat, hosted by Kissinger's former ambassador to Italy, Richard Gardner, former World Bank head Robert McNamara, and Kissinger consulting economist Herbert Stein. The Aspen conference concentrated on Third World debt and the immediate need to pass a bill granting the IMF an $8.5 billion U.S. subsidy. The Aspen group also called for a new International Monetary conference to discuss pegging world currencies.

The new system, Aspen believes, must be "a dollar standard," in which the dollar is used as a weapon of the IMF and the Volcker Federal Reserve to impose tight money on the world—including upon the United States itself. In order for the United States to "shoulder the responsibility for some sort of dollar standard," the United States must agree to demands by the BIS and the IMF to cut its budget, especially President Reagan's military budget, the conference concluded.

Particulary ominous was the release Sept. 9 by President Reagan himself of a new administration "Statement on Investment Policy," drafted by The Senior Interdepartmental Group on International Economic Policy, chaired by Treasury Secretary Donald Regan. The President's report endorses Kissinger's policy of equity ownership buy-outs of Third World nations' assets.

The report notes that U.S. corporations have complained about "discriminatory practices" by the Third World. Singled out for criticism by the President are Argentina, Brazil, Colombia, Greece, Australia and Canada. According to the office of White House Special Trade Representative William Brock, which drafted the report, the government is already backing the Kissinger equity demand in ongoing negotiations with Latin American debtors. "In the context of presidential visits we call for them to open up to U.S. investments," the aide said. "We've had several meetings with the Brazilians for example, to tell them that we want our companies to be allowed to invest more in their economy. I admit the response has not been overwhelming. But we're not finished with Brazil yet. . . ."