Debt explosion looms as IMF drives the world economy into bankruptcy

by Christopher White

Momentum is now building up to the point that a massive crisis will be unleashed, perhaps during the month of March, over how world debt levels are to be refinanced this year. Prominent players included among the forces preparing to unleash such a crisis are:

- The International Monetary Fund, and its allies in the U.S. Department of State.
- David Rockefeller, fronting for the commercial banks associated with the IMF in the creditors' committee known as the Ditchley Group.
- The drug-based political interests of especially Peru, Colombia, and Venezuela, such as the Cisneros family, with which both the above are interfaced.

Aspects of the looming crisis were designed at the annual meeting of the International Monetary Fund in Washington in September of last year, to exploit the vulnerabilities of the present administration on economic policy, and derail the Strategic Defense Initiative.

The IMF fired off the warning shots when it abruptly suspended agreed-on credits to Brazil. Jacques de Larosière, the director of the Fund, was reported to have said that he was "fed up with Brazil." In quick succession, it was announced that the Fund was "not satisfied with Mexico," and that the IMF's agreements with Argentina were "in jeopardy." Crises began to heat up around the Peruvian, Venezuelan, and Colombian debt renegotiations. Then, Argentina was pulled into the fray with the resignations of the country's central bank governor and economics minister.

The IMF had set Ibero-America afire from one end to the other. And as it did so, David Rockefeller was paraded around the countries which were being targeted to announce, imperial style, his terms of settlement, which he did in Venezuela, Ecuador, and Brazil. Dismantle the state sector and open up to private foreign investment, were his marching orders. Rockefeller's public display provided flanking cover for the more surreptitious deployment of Henry Kissinger into Mexico.

Rockefeller, of course, defended the policies of the IMF to the hilt, while insultingly remarking that it was the policies of his host countries which were at fault. He was echoed by his and the IMF's allies inside the Reagan administration. George Shultz's Department of State tried to do to Africa what the IMF and the stooge David Rockefeller were doing to Ibero-America.

On Feb. 17, State announced that Sudan was being cut off from $114 million in aid funds because the country was deemed incapable of meeting IMF conditions. The United Kingdom and the Federal Republic of Germany were reported to have joined the State Department in this action. Although the White House forced the State Department two days later to announce that not all funds would be cut off, IMF intent toward the Sudan was now clear.

Such brutality against Sudan typifies what is at stake, directly and indirectly. There, a cut-off, in the first place, ensures the spread of the genocidal conditions so widely reported in Ethiopia. There can be no elimination of such murderous conditions until the IMF is eliminated.

But second, the IMF is in fact determined to hand Sudan over to Qaddafi's Libya, and directly challenge President Reagan's newly revived policy towards the Middle East. The point was underscored when Shultz made the same kind of démarche to Israel, delaying economic aid until Israel changes its economic policy in ways he approves of. Qaddafi meanwhile offered to make good any funds Sudan loses.

The United States is being told that it can have no foreign policy, and no economic policy, independent of what the IMF dictates. The abominations threatened against Sudan are the case for Ibero-America, too. Where the United States does move to develop an independent policy, the IMF and its backers promptly act to undercut it.

Target: the SDI

What is actually being challenged here? The answer should be no surprise. It is the very existence of the President's Strategic Defense Initiative.

The moves reported here were actually pre-planned at the end of September 1984, during the IMF's annual gathering in Washington, D.C. At that time, agreements were reached with the leading Ibero-American debtor nations, and arrangements were set in motion to organize a conference on monetary policy this spring, led off by the Interim Committee meeting of the IMF in April.

At that time, bankers involved in the IMF discussions reported that the agreements concluded should not be taken too seriously. Such agreements, it was said, were of a temporary nature, and would all come unstuck before the month of March. At that time, Brazil, Mexico, and Argentina were cited as exemplary. IMF agreements with those countries would be scrapped to set the stage for a crisis they thought would erupt in March.

And who did these megalomaniac fools think they were targeting? Why, none other than the government of the United States, and President Reagan's Strategic Defense Initiative. Such a crisis would force a change in policy toward the U.S. dollar, and toward the budget deficit, especially the defense budget.

The developments in Ibero-America in the recent period fit with the timetable laid out last fall. But other parts of the picture must be taken into account.

The farm debt-bomb

Last fall, the U.S. farm sector was in the initial phases of financial collapse, reflected in the collapse of farmers' earnings vis-à-vis the increasing tribute demanded in the form of debt service, and the collapse of land values, wiping out the equity of farmer and farm banker alike. That collapse is now fully on, and is to hit the Federal Credit Administration during March.

The debt associated with the U.S. farm sector is as large as the that of Mexico and Brazil combined, and in falling on the government-backed credit administration, aggravates, with perhaps fatal consequences, the financing of the federal budget deficit.

Associated with this is the fate of the dollar. While many in the United States are concentrated on preventing a dollar collapse, they overlook the reality that the rise of the dollar is accomplishing the same thing as its collapse would. It is the single most powerful lever in the Russians' political warfare armory for breaking up the Atlantic alliance.

As long as the present bankrupt monetary and credit arrangements, derived from the supranational power of what the IMF represents, are allowed to remain intact, the alliance with Europe is going to be undermined, despite the virtual reconstitution of the Atlantic alliance around official West German support for the SDI.

A high and rising dollar beggars the allies to the benefit of the supranational coupon-clippers who are compounding the U.S. national debt. A dollar collapse is the signal that national bankruptcy proceedings have begun. Both force the issue of reorganizing monetary policy on an adminstration that is still, as the behavior of Shultz shows, compromising its policy initiatives and impulses on the basis of a deal concluded with the forces represented by David Rockefeller and the Eastern Establishment he is part of.

There are some within the administration who claim that all this has been studied by an inter-agency task force, and that as long as the oil price does not fall below $25 a barrel, damage sustained as the crisis unfolds will be minimimal. Such idiots argue that Ibero-America can be "handled," that the farm sector is irrelevant because "it will not set off a systemic crisis." They think that the consequences of destabilizing about three-quarters of a trillion dollars worth of debt, in the first phase of a crisis now uncorked by the IMF, can be separated out and not have a devastating impact on the system as a whole. Reality is going to shatter those illusions in the weeks ahead.

Council of the Americas

'Remove all barriers to the private sector'

The following interview with a source at the Rockefeller-run Council of the Americas was provided to EIR *by a journalist. The current U.S. ambassador to Venezuela, George Landau, will be taking over as director of the Council this year.*

Q: What new programs will George Landau bring to the Council?

A: He is the best man to continue our tight relations with the private-sector institutions in each country, like the Argentine Chamber of Commerce. That is the linchpin of our strategy toward the year, what you could call our "Alternate Development Model." We began it as a new program in September with a conference in Washington, then a second in Panama in January, and a third coming up in the Southern Cone, probably Argentina, in April. At each of these conferences, the business organizations of the major Latin American countries are working directly with us to work out private development models.

Q: What types of new programs?

A: First, we want, of course, freer trade. We want to have countries remove barriers to foreign investment and let foreign investors in. The bellwether for this is Argentina, the oil industry. I was just in Argentina to discuss this with business and government leaders. The government must let foreigners develop their oil resources, foreign oil exploration and production in Argentina. We'll tell Argentina that this is the only way they'll become a net oil exporter. We have President Alfonsín coming to New York for a Council luncheon on March 21, it's open to reporters.

Q: Would this lead to eventual privatization of the Mexican state oil and Brazilian state sector companies?

A: I don't think that can be done right away or maybe not at all, but that's the idea. Perhaps private companies won't be able to take over existing government oil companies, but they could certainly open up new ones in Argentina. At least mining and mineral companies more broadly should not be government owned, and private companies should be allowed in to develop those.

Q: What does your group want Venezuela to do?

A: Ambassador Landau finds the private sector very strong in Venezuela, and we think we can accomplish a lot. First, of course, they do have some foreign reserves, more than