

North and South and chaired by Pakistani dictator Zia's Finance Minister Ghulam Ishaq Khan, is dominated by the British Commonwealth and its U.S. deputies in the Treasury Department. The Development Committee is mandated to deal with debt and all issues affecting Third World development, but did nothing of the sort.

Indian delegate M. Narasimham, in his speech to the full Development Committee on April 28, made a sharp demand for the new monetary system to be put squarely on the IMF's and the entire world's agenda. "The Non-Aligned summit has called for an early convening of an international conference, with universal participation, on money and finance for development," he stated. "The time has come for a thoroughgoing and comprehensive look at the structure of economic and financial relationships."

However, the Non-Aligned call was easily beaten down by the alliance of U.S. Treasury Secretary Donald Regan, British Chancellor of the Exchequer Sir Geoffrey Howe, and Pakistani comprador Ishaq Khan. "We are absolutely against any conference which proposes 'universal' participation, meaning the communist countries, and we are especially against any conference held outside the existing institutions of the IMF and World Bank," U.S. State Department Office of Developing Nations Finance Director Adrian Basora told *EIR*. The initiative was stricken from the main communiqué.

The fact that the Third World cannot even mobilize the political majority to discuss a conference shows their "real weakness," laughed R. Lawrence, the British representative of UNCTAD who attended the meeting. "The real question here is not the new conference, but how can the Third World get anything out of a new conference?" Lawrence predicted that there would be "no world financial crisis before the fall, at the earliest," and that the conference would take place no sooner than that, if ever. "Who knows what will happen to these countries in the meantime?" he laughed.

As long as the Third World has failed to organize itself into a debtors' cartel, the British-run Group of 10 industrial nations will likely never be brought to restructure the world debt system on Third World nations' terms, with significant provision of new credits for development. "The developing countries have no political solidarity, and no clout," Lawrence said.

While Indian, Egyptian, and other Non-Aligned political leaders are ready for global debt action, the leading major Latin American debtors, especially Brazil and Mexico, "until now have been unwilling to discuss joint arrangement with the less developed countries in the Non-Aligned leadership, for the debt problem," said a top Egyptian spokesman bitterly.

"We have looked into this alliance possibility since Mexico got into trouble last September, but they were not forthcoming. Mexico and Brazil especially have special relationships and deals with their U.S. commercial banks, and the banks have special back-up of the U.S. government. The Latin Americans do not want to disturb those relationships." This is a widely held view, but by no means fully accurate,

in view of mounting evidence that the Latin Americans have mounted a façade of allegiance to the rules of the game while secretly preparing the economic and political "infrastructure" to support a "debt bomb."

Mexican and Argentinian representatives at the Development Committee meeting, who speak for the pro-IMF factions of their governments, seemed to confirm the Egyptian assessment. "There will be no collective renegotiation of the Latin American debt," Mexican central bank Deputy Director Ariel Buirra told *EIR* at the IMF meeting. "We have refused the requests to do so by other developing countries. We are taken care of; we have negotiated our own cases already." "There is no possibility of a debtors' cartel at this time," asserted Argentine financial representative to the U.S. Alberto Sola.

However, as another delegate pointed out, the reason that not a single leading Mexican or Brazilian attended the meeting, was that Brazilian Finance Minister Galvéas and Planning Minister Delfim Netto were in Mexico with their coun-

A battle over Rohatyn's rescheduling proposal

EIR correspondent Kathy Burdman created a furor over the Rohatyn debt restructuring scheme at the IMF Development Committee meeting. Reached for comment on ul-Haq's and Rohatyn's activities, Indian official M. Narasimham laughed that "ul-Haq and Rohatyn just want to bail out the banks." He likened the Rohatyn plan to the Treaty of Versailles. "That's exactly the parallel," he said. "They want us to pay the IMF reparations, as Germany was made to do at Versailles. Even Keynes knew that would not work."

At the public press conference following the Development Committee meeting April 29, Burdman forced Pakistani Finance Minister Ishaq Khan to deny categorically any involvement by his government in the Rohatyn scheme, prompting the ridicule of the financial reporters present, who were well aware of Mr. ul-Haq's promotion of the idea.

"There is almost no mention of the world debt crisis in this communiqué, and you say in paragraph 11 that the only way to deal with it is for the IMF to ensure 'adjustment of the domestic economies of the LDCs,' i.e., IMF austerity. Given those facts, can you confirm or deny that the Zia government of Pakistan, which murdered Prime Minister Ali Bhutto due to his support for the new world economic order, is promoting

terparts negotiating a bilateral trade barter deal which could serve as part of that "infrastructure (see article, page 4)."

Recovery mania in Washington

As Britain's Mr. Lawrence gloated, the Non-Aligned's major problem, as long as they cannot enforce debt action themselves, is that the U.S. administration under the sway of George Shultz and Donald Regan, "is at odds with the rest of the world and does not want to recognize the magnitude of the crisis." Regan and Fed Chairman Paul Volcker, he said, have sold President Reagan on the illusion that there is a U.S. recovery, and that "the recovery will deal with the Third World's problems. Therefore, the U.S. won't negotiate on debt issues."

Asked by this reporter for the American reaction to the Group of 24's call for a new world monetary conference, Treasury Secretary Donald Regan barked, "You expect me to talk about *that*?"

Aside from the Secretary's Marine sergeant mannerisms,

the world reorganization plan of Felix Rohatyn, under which the IMF or World Bank or some sister institution would take over the unpayable debts of the LDCs? And that, although the Zia government sells this to LDCs as 'debt relief,' would this not in fact be the same as the 1918 Treaty of Versailles, under which the IMF would use the debt paper to demand reparations of LDCs and control their economies? And thirdly, is it not the case that your planning minister, Mahbub ul-Haq, is doing this on behalf of the British Commonwealth and its debt collection policy?"

Pakistani Finance Minister Khan replied, "We are much too practical to promote such schemes. There is over \$700 billion in debt. What institution could possibly purchase that amount?" He pounded the table. "I deny it categorically! We wish to stay within the IMF framework—they force us to make adjustments, and they get us more bank loans. That's as far as we will go."

IMF spokesman Guitian intervened: "I resent your categorization of IMF programs as austerity programs." The press laughed. Khan grabbed the microphone: "Banks are not charities. If a country incurs a debt, it must pay the debt." The correspondent for *South* magazine (an outlet for Brandt Commission policies) asked, "Isn't it true that the IMF is discussing a new mechanism for debt rescheduling?" Khan replied, "When this young woman [Burdman] asked me about that proposal yesterday, I went and found Mr. ul-Haq, and he denied that he was promoting any such thing."

A. A. Clausen, president of the World Bank, jumped in to declare, "A macro approach to Third World debt is inappropriate. It should be handled case by case. We all have aches and pains in different places."

the recovery mania is being spread all over Washington in a way precisely calculated to keep President Reagan off guard to the danger of the impending world financial crisis. A private IMF study, a pre-study for the Fund's annual May World Economic Outlook, which shows a marvelous recovery in the OECD nations, was circulated privately at the Development Committee conference for gullible ministers. "The world economy is improving faster than expected a few months ago," the report lies. "The declining inflation and interest rates in 1982 appear to have laid the basis for a return of confidence and a more sustainable growth of output." The IMF study also lied that LDC debtors should be "able to meet interest payments in the years immediately ahead if they reform their economies."

Asked for his comment on the G-24's call for a new monetary conference, the usually dour IMF Managing Director Jacques de Larosière beamed, "Oh, that won't be necessary. The recovery will take care of the debt problem."

Donald Regan, in his speech to the Development Committee, which (understandably) was not made available to the press (someone might check his economic forecasting record), gave a "glowing account" of the U.S. recovery and all it will do for the world, according to a furious member of the Indian delegation.

"Regan said that we are very, very upbeat on the recovery and upbeat on its impact, which is clearly emerging, on helping the rest of the world economy," U.S. World Bank Director James Burnham told *EIR*. "Regan said that other OECD countries are beginning their own recoveries, and said the world financial situation should be dealt with on the basis of the five-point U.S. program previously announced" by the Treasury, under which debtors are told to adhere to IMF austerity conditions to solve the problem.

Arbiters by default

"The fact of the matter is that the LDCs are too stupid to figure out that if they *did* get us to the bargaining table on the whole world financial system, then they could dictate their own terms," laughed former N.M. Rothschild partner Richard Dale, a consultant on international banking at the Brookings Institution in Washington. "They could simply threaten to default if we don't extend the debt to 20-year maturity and give them 4 percent interest rates. So as long as that potential exists, there will be no such world monetary conference as the Non-Aligned propose."

Aside from the implication that the British hope to pick off, by military coup and other political means, the leaders of the debt bomb movement before they would accept a world conference, the general British strategy is to try to stave off the current debt crisis as long as possible. The British hope that they, should both the Third World and the dumb Americans fail to act as required, will become the arbiters of the world crisis, literally by default.

"Confidentially, the U.S. recovery doesn't look very good to me," smirked UNCTAD's Lawrence, "which means Bra-