system

same week passed a resolution stating that Third World development is essential and the IMF should promote it.

European private banking and governmental comments to *Executive Intelligence Review* this week provide some background to these formulations. What one well-placed West German spokesman referred to as the Europeans' "nonconditionality approach" involves taking the IMF's liquidity and using it to meet the Third World's immediate current-accounts needs, while dismantling the "teams" that used to dictate policy to debtors. The private banking consortia cited below would undertake *real* project lending.

On the state-to-state level, after his speech René Monory flew to Moscow, where he concluded major agreements on aerospace projects. Since the Soviets are major gold producers and responsible bullion market participants, the emerging gold-backed currency and credit system was undoubtedly discussed. According to European sources, the French government is pursuing the same discussion with leading OPEC representatives. The three negotiating parties—the French EMS leadership, the USSR, and the OPEC officials in question, as well as France's Mexican allies—have made it explicit over the past months and weeks that failure to resolve the development, energy and monetary questions is likely to trigger a new war.

Monory: EMS or vertigo of monetary disorder

The following is from the Oct. 3 statement to the Belgrade International Monetary Fund Conference by French Finance Minister Rene Monory: as briefly summarized by the French Embassy Bulletin.

We must wrest the world from the vertigo of monetary disorder and poverty. ... The establishment of the European Monetary System is a notable step toward more stable monetary relations. This monetary community is open to dialogue, and willing to cooperate toward a better world monetary order.

The American currency is undervalued, M. Monory declared.

M. Monory otherwise declared himself in favor of softening conditions of access to IMF resources for the developing countries. The IMF, he believes, has sufficient resources so as to treble its annual lending volume and play a central role in financing balance of payments deficits of developing countries.

Addressing himself particularly to representatives of the industrialized world, M. Monory first asked that these countries increase their public aid to developing countries (non-petroleum producers), which, he added, will have to pay in 1980 an addition to their oil bill totaling half the public aid granted by OECD and OPEC countries.

The French minister then invited the industrialized countries to strive at reaching the internationally set target of .7 percent of their GNP for aid. After recalling that France voted the doubling of the World Bank's capital, M. Monory wished that France be followed by all the participating countries.

"Dead on its feet"

According to Paul Fabra in the Oct. 3 *Le Monde*, IMF Managing Director Jacques Delarosière has already agreed to the IMF Development Committee's demand that the $10 billion special Witteveen Facility for the Third World drop its conditionality. The IMF lent a total of less than $4 billion in the 12 months to May 1979, or less than the year before, because commercial banks were financing its potential borrowers. In the past six months, according to U.S. Senate Banking Committee sources, whatever transfers the IMF has made were through conditionality-weakened facilities.

"We cannot have the kind of conditions which say cut the government budget deficit, cut inflation, cut monetary expansion, cut foreign borrowing, etc. That's all nonsense. We've got to really take part in the development of the country," said one of the EMS banker-strategists, based in Frankfurt on Oct. 4. "That means that every country has to lay down what it wants to do for its development, its industry, in a big plan, so we can really see what's going on."

Making the IMF unconditionally lend its cash while bankers and recipients set policy—this already-existing tendency was the subject of a horrified *London Economist* essay Sept. 29 (see below). Instead of commerical banks presiding over the bulk of the flow of funds to the LDCs, says the *Economist*, the IMF itself must