Wall Street's Trojan Horse

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Russia's foreign minister Sergei Lavrov has announced that Brazil, Russia, India and China will "coordinate efforts in overcoming the financial crisis". The statement suggests that the four countries will confront the dominant US-UK-EU alliance, which personifies Western banking interests, at the forthcoming Summit in Washington.

> "We are going to coordinate our moves with the leading emerging economies. We are in direct contact with India, China and Brazil; we are interacting in the BRIC and RIC [Russia-India-China] formats," he added.
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> Prime Minister Vladimir Putin said earlier this month the crisis had shown the BRIC nations would be "the locomotive of the world economy in coming years." (The Hindu, October 26, 2008)

The Finance Ministers and Central Bank Governors of G-20 countries will meet in Sao Paulo in November ahead of the Summit meetings in Washington.

The crucial question: Is there a policy alternative to that proposed by Wall Street and the US Treasury, which might emanate from the BRIC and/or G-20 Summit discussions.

Does the BRIC (Brazil, Russia, India and China) constitute a "Strategic Triangle" as suggested by Moscow's official press dispatch?

It is highly unlikely that an alternative might emerge from the BRIC meetings or the G-20.

While China and Russia retain some degree of economic and financial sovereignty, monetary policy in most developing countries including India and Brazil is under the direct surveillance of Washington and Wall Street.

The Prime Minister of India, Manmohan Singh is a former World Bank official. As Finance Minister in the early 1990s, he carried out the macro-economic reforms imposed on India by the IMF, in close coordination with the Bretton Woods institutions.

The current governor of the Reserve Bank of India Dr. Duvvuri Subbarao is also a World Bank official. He was appointed at a very critical moment on September 5, 2008 at the very outset of the financial meltdown. Duvvuri Subbarao spent ten years at the World Bank in Washington.(1994-2004). Barely two weeks into his mandate as RBI Governor, the Indian stock market collapsed. Dr. Duvvuri Subbarao's inactions as head of the RBI at the height of the crisis, largely contributed to exacerbating capital flight.

The Proposed BRIC meetings

"Russia will coordinate its steps for overcoming the financial crisis with India and China" said Russia's Foreign Minister Sergei Lavrov. The BRIC meetings will be held in Sao Paulo prior to the G-20 meetings:

> "Lavrov reiterated that a meeting of G-20 finance ministers would be held in Sao Paulo, Brazil, in the first half of November, during which he also planned to meet with the Chinese finance minister. Despite the fact that new centers of economic growth, financial power, and political influence have emerged, Lavrov pointed out, different countries must join efforts to seek ways of overcoming the crisis and preventing it from repeating itself in the future. He also stated that a relevant conference would be held in Washington on November 15. The conference will be extremely important, Lavrov maintained, as all the main players are expected to be there. He stressed, however, that it was vital that they didn't merely gather together, but, more importantly, that they also cooperated with each other." (RBC News, October 26, 2008)

Who will be attending these meetings? What is the relationship between these senior government officials (Central Bank Governors and Ministers of Finance) and the interests of Wall Street?

The president of Brazil's Central bank, Hector Meirelles will play a key role in the Sao Paulo BRIC and G-20 meetings as well as in the November 15th meetings in Washington.

Trojan Horse

Henrique de Campos Meirelles, appointed head of Brazil's Central Bank in 2003 by "socialist" president Luis (Lula) Ignacio da Silva, happens to be among Wall Streets' most powerful financial figures. Prior to becoming Governor of the Central Bank of Brazil, he was president of global banking and CEO of FleetBoston, the 7th largest bank in the US, which subsequently merged with Bank of America to form the World's largest financial institution.

Hector Meirelles is a Trojan Horse.

Appointing the former CEO of a Wall Street bank to head the nation's Central Bank is tantamount to "putting the fox in charge of the chicken coop".

During Henrique Meirelles' earlier mandate as CEO of BankBoston (which later merged to form FleetBoston), BankBoston was one among several Wall Street banks which speculated against the Brazilian Real in 1998-99, leading to the spectacular meltdown of the Sao Paulo stock exchange on "Black Wednesday" 13 January 1999. BankBoston is estimated to have made a 4.5 billion dollars windfall in Brazil in the course of the Real Plan, starting with an initial investment of $100 million. (Latin Finance, 6 August 1998).

In the ongoing financial meltdown, the loss of Brazil's forex reserves has been dramatic. Hector Meirelles has, in this regard, served the interests of Wall Street. In less than a month, some 22.9 billion dollars of Central Bank forex reserves have been lost in the form of capital flight. (Bloomberg, October 26, 2008) As dictated by the Washington Consensus and implemented by the Central Bank under the helm of Hector Meirelles, there are no effective foreign exchange controls in Brazil which might protect the Real from the speculative onslaught:

> Sales of reserves to buy reais in the spot market totaled $3.2 billion from Oct.

> 8 through Oct. 20, central bank President Henrique Meirelles said in testimony before congress late yesterday. The other types of intervention, including loans and currency swaps, don't affect the level of reserves….
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> Brazilian policy makers were forced to draw on record reserves of more than $200 billion after risk-adverse investors pulled money out of emerging markets, causing the worst tumble in the Brazilian real since the 1999 devaluation.
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> The real has lost a third of its value against the dollar since reaching a nine-year high Aug. 1, causing some of the biggest companies to report more than 5 billion reais ($2.2 billion) of losses from bad currency bets. The benchmark stock index is down 32 percent in the period.
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> In a decree published today, President Luiz Inacio Lula da Silva authorized the central bank to engage in currency swap transactions with foreign central banks. Officials at the central bank in Brasilia weren't immediately available to comment, according to the press office. (Bloomberg, October 26, 2008)

Moreover, the Brazilian government has emulated the US Treasury in setting up a bailout for Brazilian banking institutions, most of which are in fact controlled by foreign banks (American and European).

Brazil's Finance Minister Guido Mantega will be chairing the Group of 20 (G-20) meeting.

Federal Reserve Chairman Ben Bernanke (L), U.S. Secretary of the Treasury Henry M. Paulson Jr. (2nd-L), Brazil's Finance Minister Guido Mantega (2nd-R), president of Brazil's Central Bank Henrique Meirelles (R) and U.S. President George W. Bush (3rd-R) attend the International Monetary and Financial Committee meeting at IMF Headquarters October 11, 2008 in Washington, DC. Financial ministers and financial institution heads are in Washington for the annual meetings.

The G-20 countries/union are made up of the G-8 (US, UK, France, Germany, Japan, Canada, Italy, Russia) and the G-11 (Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea, Turkey) plus the European Union. (The G-8 is the G-7 plus Russia).

Most of the G-11 countries, are heavily indebted to Western creditors. The neoliberal consensus prevails. With perhaps the exception of Australia and Saudi Arabia, these countries obey the diktats of the Bretton Woods institutions and Wall Street.

There are many World Bank and Wall Street Trojan Horses, scattered around the World in central banks and ministries of finance.

The G-20 meetings and negotiations are part of a ritual.

The creditor's cartel, Wall Street and the Bretton Woods institutions are always in on the debate and discussions behind closed doors, with their G-20 colleagues and cronies. It's "the old boys network".

It is highly unlikely that an "alternative" distinct from the Washington-Wall Street consensus will emerge from the BRIC or G-20 meetings.

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