

Soviets Pushed on Debt Issue

State Department and Central Intelligence Agency officials are now terrified that the Soviet Union will offer to support Third World countries on the debt issue, after two years on the sidelines. In what most Soviet experts in the U.S. consider a disastrous blunder, Kissinger publicly threatened the Soviet Union with a cutoff of loans at last week's ministerial meeting of the Organization for Economic Cooperation and Development. Kissinger's intention is to use financial pressure on Poland, Hungary, Rumania and other heavily-indebted Comecon nations to destabilize the Soviet sector.

But Kissinger's provocations, which coincided with unrest in Poland over a proposed rise in food prices, forces the Soviets to take a stand on the issue of world debt, which they have shirked for two years. Poland, Hungary, and other Comecon members have an immediate vital stake in a world debt moratorium. Kissinger has made this an issue of national security for several countries, and an issue of integrity of the socialist sector for the Soviet Union.

New York banking sources report that the Soviets are negotiating a moratorium on their own loans to Egypt — which gives Egypt more maneuvering room against the New York banks.

Quietly, a number of Atlanticist financiers, including a group in the London financial center, are trying to work out a way of living with debt moratoria. British financial writer Nicholas Davenport argued last week in *The Spectator* that the problem in the world monetary system was not the ailing British pound, but Third World debt, which "could bring the New York banks crashing down."

At least one member of the British cabinet is reportedly pressing for Britain to suspend its \$25 billion foreign debt as the only way to restore the British economy.

Sadat Prepares To Make Egyptian Pound Convertible

According to PetroMoney Report (PMR), published by the *Financial Times* of London, the Egyptian authorities are keeping secret both the day next month when they will announce the new commercial market rate for the Egyptian pound and the level at which the "managed float will begin." Economics Minister Zaki Shaffei said to PMR that the aim of the Egyptian government is to keep it (the pound) below 70 piastres to the dollar, thus limited to what he describes as a "selective devaluation" after it starts floating. The pound float, which was demanded by the International Monetary Fund officials two weeks ago, is going to cost Egypt about \$800 million per year on import prices and at the same time the price of Egypt's exports will be lowered.

Meanwhile, the Egyptian trade deficit has reached \$2.74 billion and the only way that President Anwar Sadat's government has been able to afford "such an expensive deficit" is by obtaining the "unrequited transfers" of almost \$1 billion which come from grants that the Saudis and Kuwaitis promised in the beginning of the year. But what keeps Sadat going are the so-called monetary movements of the Saudi-Kuwaiti accounts. Faced with a national deficit up

to \$14 billion, then both Saudi Arabia and Kuwaiti governments have agreed for political reasons to bridge the balance of payment gap through short-term deposits which, "they are counted as monetary movements." This would prevent, at least temporarily, the impending collapse of Egyptian debt payments to international banks. Shaffei stated, however, that the Egyptian government is ready to put control on domestic credit in order to "mop up Egyptian pounds which might otherwise be competing for the limited foreign currency available" in the Egyptian Central Bank. This threat has made the Saudis and the Kuwaitis extremely nervous since it is likely that their deposit accounts are going to be used for the mop up of the excess Egyptian paper.

The PMR reports that Saudi Arabia and Kuwait stand to lose about \$2 billion if the Egyptian mop up is undertaken.

As part of the Budgetary discipline that Sadat has pledged to the IMF, Saudi Arabia and Kuwait, he has announced that if the Egyptian pound becomes a problem for the existing foreign reserves, his government is going to cut \$250 million from the so-called "subsidies to the masses" as first step to protect the foreign deposits. For the average Egyptian worker and farmer whose food is already rationed, these new restrictions will limit consumption to one black bean sandwich a day instead of the current two.

Riot Flops In Peru; Battle Centers On Moratoria

July 3 (NSIPS) — Decisive action by the Peruvian government and the high level of politicization of the Peruvian working class have thwarted the latest Wall Street bankers' attempt to create the conditions for purging the ruling military junta of its pro-development and pro-moratoria ministers. Riots in Lima July 1, led by CIA provocateurs, failed to gain any support within the working class and were quickly quelled when the government declared a 30-day state of emergency.

Although the momentum of one key fascist operation has been at least temporarily broken, the situation remains extremely critical and unstable. The state of emergency and the government's capitulation to Lower Manhattan banks last week on economic policy provide the military's right-wing with the power and the context to move against the pro-development forces if the progressives do not rally their forces and the working class around the declaration of a debt moratoria.

Eduardo Castillo, Secretary General of the Communist Party-led CGTP trade union confederation, made clear yesterday that the organized Peruvian working class stands ready to oppose the harsh austerity measures implemented last week while at the same time rejecting the anti-government provocations of the CIA-controlled ultraleft and the rightwing. Castillo linked the latest government economic policies, which have cut real wages by at least 20 per cent, to the International Monetary Fund and warned that they have "awakened a rightful popular indignation." But, Castillo

charged, "reactionary groups" attempted to take advantage of the working class reaction by provoking Thursday's riots "which have nothing to do with the forms of class struggle." He urged the government not to use the state of emergency "to attack the popular movement, nor to make attempts on the rights of organization or the workers' struggles," but to use the emergency powers "to answer the aggressions of the real enemies of the revolutionary process: the right, imperialism, and its internal agents."

Riots Fizzle

The detonation of anti-government riots was Wall Street's intended follow-up to its success in coercing the government, under threat of economic and military warfare, to swallow the IMF austerity dictates. They were attempting a replay of the riots of February, 1975 when agents of the fascist Apra party and various Maoist grouplets led two days of rioting against the government of former President Velasco Alverado. This time, however, the riots were less serious and gained no working class support despite the fact that the population is both enraged and panicked over the slash in their living standards and the prospect of immediate food shortages.

On July 1, the rightwing succeeded in sparking a strike of small bus operators and owners, most of them organized by the Apra. They shut down their buses to demand the doubling of bus fares or a rollback of the 117 per cent rise in the cost of gasoline announced at midweek. From the small bus drivers and owners, the anti-government actions spread only to school children and high school students who were provoked by professional agitators to break windows and loot stores in downtown Lima. When those disturbances failed to grow, the Apra and Maoist provocateurs tried to rally slum dwellers on the outskirts of the city with equally poor results. The isolated riots were dispersed with tear gas and a government show of force; the state of emergency was imposed to prevent the right from making another insurrectionary attempt.

The failure of the riots means the at least temporary failure of the stated intentions of one knowledgeable New York banker to "cut off the legs" of the pro-development ministers by capturing their working class base under the fascist, anti-government banners of the Apra and the Maoists. Peru has long been a target of Wall Street destabilization efforts since that country took a leading role in the fight for a new world economic order. However, the state of emergency and the government's decision to capitulate to Atlanticist blackmail on economic policy pose continuing urgent questions of survival to the military progressives.

Under the 30-day emergency, the Cabinet of Ministers has been replaced by the Joint Command of the Armed Forces as the country's ruling body. The Command consists of Navy, Army and Air Force chiefs, the President, and the Interior Minister. Pro-development Army chief and Prime Minister Fernandez Maldonado will be surrounded by a collection of hard-line, rightwing officers and the vacillating centrist President Morales Bermudez. With the state of emergency decree establishing martial law and suspending civil liberties, the Joint Command has already closed down *Unidad*, the paper of the Communist Party, along with the weekly publications of the right and the ultraleft. The papers and magazines were closed for "conducting campaigns designed to obstruct measures of economic reactivation, and to destroy the unity of Armed Forces," according to Associated Press. To date, the Latin American Labor

Committees newspaper *Nueva Solidaridad* has not been banned. The weekly has not gone to press since the state of emergency was declared July 1. In this situation it is critical that the links between the pro-development forces in the military and the organized working class be not only maintained but strengthened around a programmatic fight against the domestic right and their New York directors.

Moratoria the Issue

New York bankers and sources close to the U.S. State Department report that, prior to the Central Bank's obedience to Wall Street demands for a 44 per cent devaluation last week, the cabinet had actively discussed unilaterally declaring a moratoria on the country's foreign debt. Leading trade unionists, both publicly and in conversation with the Latin American Labor Committees, have stated their commitment to moratoria as the only sane solution to Peru's economic situation. Much of the strength of Peru's pro-development military and union forces will depend on international support for the declaration of debt moratoria and a new world economic order. The longer the Peruvian progressives postpone decisive action in favor of moratoria, the more time the right will have to use the state of emergency and the threats of the IMF, the New York banks, and Peru's fascist neighbors to consolidate their power for another riot attempt aimed at creating the conditions for a coup.

The Atlanticist controlled press has already begun to open a fresh propaganda barrage on the supposed lessons of Peru, using as their foil the preposterous lie that Chile, as a result of its genocidal "shock therapy" austerity program, has put itself back on the road to economic health. The Chilean junta last week carried out a con man's revaluation of its currency, by 10 per cent, and fascist President Augusto Pinochet paraded himself on national television to proclaim that economic recovery was underway. An editorial in the prestigious Argentine daily *La Prensa* was representative of the Wall Street lies. *La Prensa* hailed the Chilean model as "fully justified" since those governments that "fear the so-called 'social costs' of inevitable austerity measures tend to precipitate their countries into crisis such as that of Peru."

Within Peru, clumsy agent efforts hope to counter the organizing of, particularly, the Latin American Labor Committees for debt moratoria. The ultraleft rag *Marça*, among those weeklies shut down yesterday by the Joint Command, printed an analysis in its last issue calling for labor-intensive projects for Peru since, they argued, capital intensive development leads to an increased foreign debt. The *Marça* agents, linked to the U.S. Institute for Policy Studies, raise the slogan, "More Picks, Less Tractors," in direct opposition to the Labor Committees' call for "Picks and Shovels Against the CIA; Tractors for the Country-side."

The Communist Party has issued a call echoing the statement of the more politically advanced CGTP confederation in which the party urges government action against the fascist Apra and the ultraleft. But the Communist Party is largely factionalized and infiltrated by agents of the right as evidenced in the latest issue of their paper. Jorge del Prado's article on the threat of a fascist coup correctly states that "This objective (a coup) also has the support of partisans inside the Government"; on the next page, a column by Elias asserts that reports of factions within the government are "made in secret services of the reaction and imperialism."