Atlanticists Push Too Hard On Debt; Wobbling Dominoes Set To Topple

June 29 (NSIPS) — Two closely-linked developments have pushed the dollar monetary system to the verge of dissolution:

First, the evident inability of the Atlanticist financiers to enforce Schachtian austerity in either the advanced sector or among the developing countries has produced an extreme crisis of confidence in the world credit market.

Second, the New York City banks and their spokesmen in Western governments have pushed their victims to the point that debt has become an urgent **national security** issue, not only for the Third World, but also for Eastern Europe.

On the eve of the June 30 debt rollover deadline, when banks clear their books of short-term paper coming due, the Atlanticists have panicked. Not a single Western government, including the Ford Administration, is willing to back up another round of credit extension to the Third World. Threatened with default, the New York banks are throwing everything they have into a campaign to break down the governments of Peru, Egypt, Indonesia and other Third World countries. They have chosen to force the question of debt moratoria onto the Third World, virtually destroying any hope of postponing the crisis until later this year.

Meanwhile, Kissinger's public threat to use the socialist sector's $32 billion foreign debt as a political weapon is forcing the Soviets into active support of the Third World's fight for debt moratorium for the first time.

In what may be Wall Street's last Pyrrhic victory, a delegation of New York financiers headed by James Green of Manufacturers Hanover forced a life-and-death crisis for the Peruvian government this week. The Peruvian central bank, without government approval, announced a 44 per cent devaluation of the Peruvian currency June 28, in what bankers wishfully identify as a prelude to a general austerity program. All out war has begun between Peruvian president Morales Bermudez, who jumped to support the central bank, and the members of the Peruvian cabinet, which voted last month to declare debt moratorium.

Highly reliable sources report that the Peruvian cabinet is urgently negotiating long-term contracts for delivery of food from Canada and other exporters, in order to prepare for a debt moratorium and a cutoff of New York bank loans. The country now has a two to three month food stockpile, and $400 million in debt payments coming due in a matter of days.

Egypt followed Peru into an identical national crisis today, when West German newspapers leaked word that the country faced a shutoff of development aid. West German foreign ministry officials have threatened President Anwar Sadat with a cutoff of all government loans, unless he breaks with the Palestine Liberation Organization and allies with Kissinger's puppet, Syrian President Assad.

Egypt's creditors are, in effect, asking its head of state to commit public suicide. West German banking sources warned last week that Nasserite and pro-Soviet elements of Egypt's leading political circles threatened to declare a debt moratorium rather than accept an austerity program. This political force is committed to support of the PLO. More soberly, the London Financial Times estimated this week that 90 per cent of the Egyptian population supports Nasserite policies, and that Sadat has "no options" to put through an austerity program.

With $14 billion in Egyptian foreign debt at stake, however, emergency creditors' meetings in New York City on June 24 and in Frankfurt on June 28 decided to shoot the works against the Sadat government. They have demanded political conditions that no Egyptian government could accept, inviting Egypt to retaliate by cancelling its debt payments.

Collapse of Confidence Over Indonesia

The worst creditors' war since the settlement of Allied war debt broke out this week over the $10 billion bankruptcy of the Indonesian oil company, Pertamina. A group of nine shipping companies who leased tankers worth $3 billion to the bankrupt national concern have filed lawsuits in New York and London to seize Pertamina's foreign assets. Under a $1.2 billion refinancing deal arranged by Morgan Guaranty Trust late in 1975, the Indonesia government cut off payments to the shipowners and to development-project contractors holding $2 billion in government obligations. If the shipowners win their suit — some New York investment bankers expect them to — Morgan and the other New York City banks will be cut off without a penny.

Coming in the midst of negotiations over the defaulted debt of Argentina, Chile, Zaire, and several other Third World governments, the creditors' fight over Indonesia threatens to destroy the whole $250 billion confidence game of Third World lending. One top New York City bank analyst predicted "an emerging crisis of confidence that could reduce the Eurodollar market to chaos." A new York Times article this morning detailing the fight over Pertamina spurred emergency meetings at most New York banking houses and at the International Monetary Fund in Washington, D.C.

What pitted these two groups of vultures against each other is clear. "The bastards are trying to blackmail us — they're threatening not to pay," screamed an investment banker who "advises" the Indonesia government last week. With its enemies divided, the Indonesia government is poised to declare a debt moratorium.

Several Third World countries took the strategic decision to force the debt issue after trouncing the U.S. State Department at the last session of the "North-South" talks earlier this month in Paris. Aides to U.S. secretary of State Kissinger proposed discussion of the so-called International Resources Bank, a Schachtian scheme to extract income to pay Third World Debt service through labor-intensive investment in Third World mineral resources. By a five-to-one vote, the Third World caucus at these talks voted to bar consideration of the genocidal scheme, following a similar decision at the United Nations Conference on Trade and Development in May. Third World diplomatic sources gleefully report that the Western European delegation refused to back up Kissinger, ensuring a defeat for the International Resources Bank.

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 rightwing 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 lastest 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