



## June 30: Third World on Brink of Moratoria

**June 26 (NSIPS)** — Informed sources inside the diplomatic community have reported to the U.S. Labor Party that several countries in the developing sector — led by Peru, Indonesia, and Egypt — are on the verge of suspending debt-service payments as the June 30 international debt rollover deadline approaches.

Hysterical at the prospect of a "shock wave" of Third World debt moratoria, Wall Street is now faced with the choices of either cranking up the printing presses for a new round of hyperinflationary bailout loans based on genocidal austerity, or swallowing defaults on the unpayable debts, in the hope of making a political show of force against the defaulting countries. However, the June 30 conjuncture also presents a third very real option — implementation of orderly debt moratoria by the developing sector, with the political support of the advanced-sector working class, as the first step towards an emerging International Development Bank world order.

### **Peru: Test Case**

Peru, with \$400 million in debt due for refinancing, has been singled out by the Lower Manhattan Atlanticists as a test case for Third World debt, because the pro-development ministers in Peru's government are in the forefront of the international fight for debt moratoria and a new world economic order. An array of articles in the U.S. and West European financial press has publicized the question of whether Peru can "impose effective budgetary restraints" given the "independence of the various ministries," as the Financial Times expressed it June 25.

One New York banker admitted that the potential of a Peruvian debt moratorium keeps him awake nights. He cited a vote to declare debt moratorium in the Peruvian cabinet last month, stopped at the last minute by a bankers' delegation which is still in Peru. "The only thing holding these countries back from debt moratoria is that they know our lending window is open," he reported. "If we shut the window on anyone of these countries, they'll all dump their debts."

A similar terror was voiced by Baltimore Sun correspondent Henry Trewhitt, writing from Santiago on the "close call" over Chile's \$750 million debt last year. "A debt moratorium can be contagious," he noted. "The whole subject is one with which the Third World has been flirting for years, with obvious consequences for the whole international economic system. The U.S., as the world's biggest creditor, would be hardest hit."

### **Wall Street's Options**

If Wall Street fails to hold the line against debt moratoria, the bankers' only option will be to use the Cayman Islands illegal Eurodollar banking operation to force central bank

backing for hyperinflationary bailout loans to cover the unpayable Third World debts. But this gambit will force the banks into a political fight with President Ford and the U.S. Treasury, who stubbornly oppose any handout to the New York and other banks in case of Third World default. The key to the outcome of such a battle will be the mobilization of the U.S. working class to defend and support any country which declares a debt moratorium.

The combined U.S. and Third World political motion towards debt moratorium, defined the context for Henry Kissinger's odd performances at last week's OECD meeting in Paris as well as this weekend's Puerto Rico economic summit. On both occasions the only "program" the Atlanticists could agree upon was to attempt to destabilize the Soviet sector through the debt issue, in the insane hope of preventing Comecon-Third World economic collaboration outside the dollar empire.

Diplomatic sources report that the last session of the North-South talks in Paris this month ended in a stinging defeat for Kissinger. When the U.S. representatives introduced Kissinger's genocidal "International Resources Bank" scheme for extracting the means of payment of the Third World's \$30 billion annual debt-service, 16 of the 19 developing countries represented voted against even discussing the hated plan. European diplomats, according to eye-witnesses, refused to aid the beleaguered U.S. delegation and displayed contempt for Kissinger's demand for industrial sector "solidarity."

Privately, international bankers admit that nothing but a flimsy game of bluff and debt-refinancing stands between them and the destruction of the \$250 billion mountain of Third World loans. The Indonesian government "is blackmailing us and other creditors," complained a London banker. "They are threatening to default if they don't get more money." In Duesseldorf, a West German banker said that nationalist and pro-Soviet elements are holding up austerity plans. "They have \$14 billion in foreign debt," the banker warned, "and until this is solved we can't do anything — there is a danger of a debt moratorium."

### **Hyperinflation**

The international banks are staking their survival now on a perilous "chicken game" with the Third World — pumping out new money to re-finance unpayable debts coming due. Banking groups announced an \$850 million loan to Argentina, a \$125 million loan to Chile, an \$80 million loan to South Korea, and a \$400 million loan to Algeria in the past week alone.

A New York banker described the way this swindle works: "The Cayman Islands (the Bermuda Triangle of illegal bank operations -ed.) are now as big as its parent, the \$400 billion Eurodollar market. Loans used to be made for the transport of goods. Not anymore. I give a loan to Brazil, the Brazilian central bank prints Brazilian cruzeiros to that amount for use inside the country, but no goods are imported or change hands internationally. Then Brazil puts the money in the Cayman Islands and it gets to Mexico, and nobody knows where it ends up." For every deposit in the Cayman Islands, the banker said, more than \$20 in loans are paid out.

Simultaneously, Federal Reserve sources report (unsuccessful) frantic behind-the-scenes attempts by Fed chairman Arthur Burns to get European central bankers to agree to a formal commitment to bail out banks going under due to Third World defaults. These activities are in flagrant defiance of White House policy. As a high Treasury official insisted, "These banks went in to make a profit and they are going to have to take the risk. If they think that this Administration is going to bail them out, they're crazy."

The official complained that none of the countries threatening to stop debt payments has yet tried to obtain money by throwing itself at the mercy of the International Monetary Fund, the world's monetary policeman. The IMF lends money to bankrupt governments who agree to let IMF butchers take them over and run austerity programs. But certain European representatives have quietly sabotaged IMF plans to bail out the creditors of Chile and Argentina.

If the bankers manage to carry the Cayman Islands fraud through much past the June 30 end-of-quarter payments date, the world money market will be swamped with speculative money as a result. The immediate consequence would be a world hyperinflation duplicating the 1923 inflation in Weimar Germany on a global scale.

Certain pro-Atlanticist European spokesmen argue that "it is more costly to let the Eurodollar market collapse than to bail it out," as a British government spokesman argued. Apart from the British government, which still acts as host

for most Eurodollar operations, no reasoning capitalist could buy this self-serving nonsense. The immediate effects of world hyperinflation, triggered by the papering-over of Third World debts coming due, will be just as devastating for world production and trade as a deflationary collapse of the Eurodollar market. As a number of Third World governments are now considering, the "alternative" of inflationary bailout has the extreme disadvantage of leaving the most important Atlanticist institutions intact.

If the bankers manage to carry the Cayman Islands fraud through much past the June 30 end-of-quarter payments date, the world money markets will be swamped with speculative money, leading to world hyperinflation duplicating 1923 Weimar Germany on a world scale. Certain British self-delusions notwithstanding, the immediate effects of world hyperinflation, triggered by the papering over of Third World debts coming due, will be as devastating for world production and trade as a deflationary collapse of the Eurodollar market. As a number of Third World governments are now considering, the "alternative" of inflationary bailout has the extreme disadvantage of leaving the most important Atlanticist institutions intact.

#### Options For Third World

Like the Atlanticists, the Third World countries are also facing a branch-point. International political support for orderly debt moratoria and the International Development Bank is crucial to enable, for example, Peru's leaders to opt for debt moratoria. The Ford Administration attitude ("let 'em default") represents no alternative to Schachtian austerity.

In fact, the Ford Treasury official who rejected bailing out Wall Street simultaneously complained that none of the countries threatening to stop paying debt had yet tried to get money by throwing itself on the mercy of the International Monetary Fund. The IMF lends money to bankrupt governments — debt moratorium à la Argentina — who agree to let IMF butchers take them over and run austerity programs.

### Exclusive Interview

## Wall Street in Panic Over Third World Debt Problem

*NEW YORK, June 26 (NSIPS) — The following interviews were conducted this week by phone here and in Washington. The statements by these "experts" in Third World financial matters reflect their panic over the potential outcome of the June 30 rollover crisis — especially as it pertains to Latin America in general, and Peru in particular.*

*Interview with Peruvian Financial Expert at a Major Wall Street Investment Bank*

**Reporter:** Will Peru receive the \$450 million debt refinancing loan the country is reported to need to stave off a default?

**Banker:** No one (in the banking community) not already on the hook in Peru will touch it, but the pressure on the banks is

getting heavy. The banks involved in Peru will have to shell it out.

**Reporter:** Is there pressure in Peru for a debt moratorium?

**Banker:** Yes. The word is that the Peruvian Consejo de Estado (cabinet) voted up a debt moratorium one month ago which was overruled by the President. You realize the implications for the U.S. economy of such a move. Just to give you one example, Citibank made over 75 per cent of its earnings overseas last year, and it wasn't in Western Europe, except Italy.

**Reporter:** What about threats by the U.S. Treasury and some of the banks that if Peru and other Third World countries