

Peru Strikes Deal With Citibank: Will It Work?

Two major strikes have broken out in Peru in the less than two weeks since President Gen. Francisco Morales Bermudez proclaimed an end to the 14-month-long State of Emergency (martial law) and the restoration of full constitutional rights — including the right of labor to organize and to strike. Rank-and-file members of the state hospital doctors' union declared an indefinite strike Sept. 7, rejecting a settlement reached last week by leadership and the Morales government for a 35 percent wage raise and extended job stability guarantees. At the same time, 20,000 social security workers, on strike since late August, have refused to accept a similar government offer. The social security health workers won public backing Sept. 5 from the militant communist-led CGTP union federation, which denounced the "intransigence" of government negotiators in the face of the labor demands which are "legitimate from any point of view."

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The strikes, which could spark a wave of petitioning for wage hikes to recover the 50 percent cut in real wages over the last year, underscore the fundamental instability of the financial-political "deal" worked out between Peruvian President Francisco Morales Bermudez and Citibank Senior Vice President Irving Friedman three weeks ago after talks in Lima and New York. Seeking both to forestall a Peruvian default on \$700 million in debt payments still unpaid this year, and looking for an edge over its illiquid rival Chase Manhattan, Citibank mapped out an "economic stabilization" program for Peru under which most of the country's \$500 million short-term debt will be refinanced, while service payments on long-term debt are maintained on schedule.

Chase Manhattan, whose Peruvian debt holdings are primarily on short-term account and who is desperately in need of quick cash, is heavily penalized. Citibank has undercut the Chase plan for imposition of a bloody Chile-style regime to guarantee its cash repayment by throwing its support behind the centrist regime of Morales and a program of "piecemeal" austerity and political liberalization.

Now, it is up to the International Monetary Fund to make the next move. With the political support of Citibank, Peru has been able to dictate its own terms to the IMF, which has for the past six months demanded imposition of severe austerity measures as a condition for granting Peru standby credits. If the IMF agrees to the terms of the Peru-Citibank deal this month, its leverage against other insolvent Third World countries will be greatly weakened. If it refuses the terms, the IMF risks provoking a Peruvian default which could create a crisis of confidence throughout the international banking community.

Will It Work?

With the immediate threat of a Peruvian debt default postponed, the question foremost on the minds of international bankers is whether the "soft-line" Citibank deal will work. As *The Times* (of London) forecast ominously in an Aug. 31 editorial, "The question now is whether... agitation in the future (i.e., strikes and anti-austerity protests — ed.) will lead hardliners in the government to feel they should intervene in the way the Chilean armed forces did in 1973," referring to the "shock therapy" imposed in Chile through a bloody coup d'etat mainly organized by Chase president David Rockefeller.

The Deal

There is every indication that, in exchange for political liberalization and a possible place in the government's projected return to civilian rule, Morales and his Citibank backers struck a deal with the agent-ridden leadership of the Peruvian Communist Party to help finance austerity by curbing strikes and "excessive" wage demands. The PCP is notorious throughout Latin America for its willingness to cooperate with any head of state who offers a "political opening." While the PCP may be *willing*, it is not at all clear that the party is *capable* of containing the working-class base of its allied federation, the CGTP, which the federation's support for the social security strike indicates. For the depression-wracked Peruvian working class, even the step-by-step austerity program okayed by Citibank means certain death.

Discontent runs deep in the Peruvian population, and among political groupings. Both the Revolutionary Socialist Party (PSR) and the Christian Democratic Party, which, though small, wield significant influence in the Army and labor movement, denounced the President's liberalization proclamation as favoring the reactionary traditional parties in Peru. The PSR charged in a Sept. 3 communique that the restoration of constitutional rights "only benefits those who are committed to handing governing power over to the rightwing Apra party."

It is widely known that Morales initiated negotiations to ally with the fascist-populist Apra, as the only traditional party capable of mustering a semblance of mass base that Morales needs to stand on. Apra, seeing an opportunity to gain influence before the 1981 general elections has responded with wholehearted support for the government's call for austerity "sacrifices." Apra, along with the bevy of maoist sectlets, boycotted the highly successful July 19 national general strike protesting austerity, and has demonstrated over the years its ability to deploy lumpen gangs as shocktroops against labor militants. Rumors abound in Lima that Morales himself may emerge as the Apra presidential candidate, if and when elections are held!

Morales Bermudez is already showing nervousness about the viability of his deal. On the very day of his

liberalization decree the secretary general of the PSR — which has staunchly opposed further austerity and has publicly called for a moratorium on Peru's multibillion dollar foreign debt — was arrested and imprisoned for four days. The editor of the weekly Communist Party newspaper *Unidad* was convicted last week on ridiculous "slander" charges brought by an Apra follower, and slapped with a four-month suspended jail sentence. The arrests are clearly meant as a threat, a warning that anyone who steps outside the bounds of the "deal" will be repressed without hesitation. Any public discussion of debt moratoria is taboo in Peru.

Chase Plots Coup

While Chase Manhattan and the Rockefeller forces suffered a definite setback in Peru, they are by no means just sitting idly by. Their allies in the right wing of the Peruvian military are waiting in the wings, ready to exploit any failure of the Morales-Citibank deal and any new wave of labor unrest as a rationale for a coup to

impose "law and order" in the country. The Inspector General of the Army, Gen. Pedro Richter Prada, notorious for his repressiveness while Interior Minister during the mid-1960s, has emerged as the leading candidate in the event of a coup move. "Many observers fear," noted the *Financial Times* (London) Sept. 2, "that Richter Prada ... might ... turn his popularity in the officer corps to good account and act on his rightwing beliefs."

Peru's "friends at Chase Manhattan" have another card to play against the Morales government in Peru — the threat of unleashing Chile for a rerun of the 1879 War of the Pacific that decimated Peru. The *New York Times*, which recently crusaded to polish Chile's tarnished social image, reported Sept. 4 that "U.S. officials" in the Carter Administration "take a serious view of the potential for armed conflict if the negotiations that Bolivia has undertaken with Chile since 1974 for a corridor and port on the Pacific are not successfully concluded by 1979, which will be the 100th anniversary of the War of the Pacific...."