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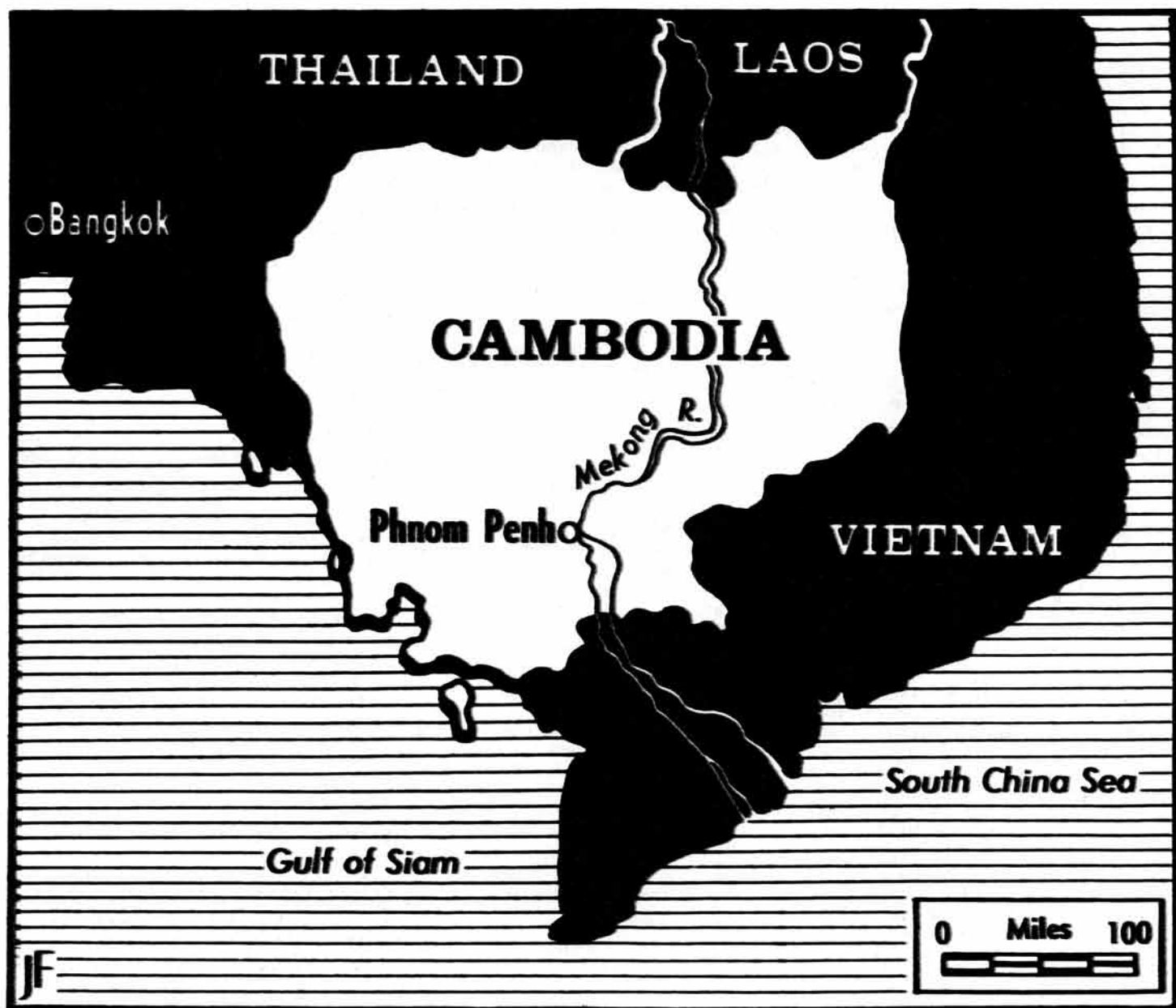
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Christian Science Monitor

What is Behind the War in Cambodia?
Shah to Leave, Generals Remain
Mandel on Economic Outlook for 1979-80

NEWS ANALYSIS

Peru Military Jails 2,000

By Fred Murphy

At least 2,000 trade-union and political leaders were arrested in Peru between January 6 and 8 as the military regime sought to head off a three-day general strike called by the country's main labor organizations for January 9-11.

As of January 10 the police were said to have a list of 4,000 to 5,000 more activists who were also being sought.

Agents of the Directorate of State Security raided the national headquarters of the *Unidad* faction of the Communist Party [PCP(U)] in downtown Lima on January 10. Fifty persons were arrested on the spot, including *Unidad* editor Manuel del Priego, PCP(U) youth leader Carlos Bonino, and party Political Bureau member Pedro Mayta.

Others known to be in the custody of the political police include Gustavo Espinoza, a top official of Peru's main union federation, the CGTP;¹ Alfonso Barrantes Lingán, president of the leftist coalition Democratic People's Unity (UDP); Pizarro of the Socialist Workers Party (PST); and Roberto Chara, Pedro Esteban Retuerto, and Chipana of the Revolutionary Workers Party (PRT).² Chara has reportedly been tortured, and Chipana is under police guard in a hospital. He was taken there after being shot by cops outside the Diamante shoe factory, where he is a leader of the leather workers union.

Mike Kelly, executive secretary of the U.S. Committee for Justice to Latin American Political Prisoners (USLA), was seized by State Security agents while taking photographs in downtown Lima on January 9. Kelly, who has been traveling in Latin America for several months, was held until 1 a.m. on January 10, released, and ordered to report back later in the day. When he did so, the cops took him to the place where he had been staying and ransacked his room for four hours. They then "invited" Kelly to leave Peru, which under the circumstances he agreed to do. At last report, however, he was still being held by State Security in Lima.

Blanco in Danger

None of the workers deputies in the Constituent Assembly have been reported detained. Nonetheless, on January 12 the government radio singled out FOCEP³ deputy and PRT leader Hugo Blanco as one of those "responsible" for the general

strike, declaring that he would "have to pay."

The Trotskyist leader was the target of a kidnapping attempt last September in downtown Lima; the attack is widely thought to have been the work of the military intelligence apparatus.

Other leftist assembly deputies have visited the jails in Lima. They held a news conference January 11 to call for the release of the prisoners, and reported that they had been told by the head of State Security that this would be done shortly.

Other repressive moves taken by the Peruvian regime during the second week of January included the declaration of a "state of national emergency" and the suspension of press freedom, freedom of assembly, and the right to be secure against warrantless searches.

Seven weekly periodicals have been banned, including the CP's *Unidad* and the leftist publications *Marka* and *Amauta*. Also proscribed are *Equis*, a Social Democratic magazine; *ABC*, the organ of the bourgeois Aprista Party; *Kunan*, published by admirers of the late president Gen. Juan Velasco; and *El Tiempo*, a conservative weekly that at times has spoken out against the military regime's policies.

The well-known Peruvian novelist Mario Vargas Llosa denounced the ban on these newspapers and magazines, as did poet Blanca Varela.

The two bourgeois parties that hold a majority in the Constituent Assembly—the Aprista Party and the Christian People's Party (PPC)—have acquiesced in the military's wave of repression. Leftist deputies walked out of an assembly session January 8 when the Apristas and the PPC refused even to allow a debate on the regime's "emergency" measures.

The General Strike

In hopes of intimidating workers from joining the general strike, the government began mobilizing army and Civil Guard troops on January 6. Written orders were issued to the soldiers to "fire if necessary," and these were given wide publicity in the regime's news media. Armed cops were posted on all buses in Lima. Tanks and armored vehicles were sent into industrial districts, working-class neighborhoods, and shopping areas in the capital and other major cities.

The results of the strike were uneven. Some cities in the interior, such as Ayacu-

3. Frente Obrero, Campesino, Estudiantil, y Popular (Workers, Peasants, Students, and People's Front).

cho and Huancavelica, were reported paralyzed on the first day of the work stoppage. But elsewhere important sectors of the working class, including most of the miners and about half the bank workers, failed to participate.

Transportation was halted and banks were shut down in the main southern cities of Cuzco and Arequipa on January 9, as well as in Piura, Trujillo, and Chimbote in the north and Huancayo in the center of the country.

In Chota, a town in the northern Andes near Cajamarca, the authorities decreed a curfew in order to halt attacks by the population on commercial establishments.

Most public transportation in Lima was halted on January 9. In the shantytowns to the north of the city, youths built barricades across the main roads and clashed with the police. At least one person was wounded in these confrontations.

Many workers returned to their jobs in Lima factories on January 10, the second day of what was to have been a three-day work stoppage. Later in the day, CGTP leaders held a news conference and announced they were calling off the strike. Bank workers union president Antonio Zúñiga had already asked for such a move the night before.

The CGTP had called the strike on December 19 to protest the military's latest round of austerity measures—price increases of up to 35 percent on such items as bread, sugar, milk, and gasoline. But the federation's leaders—all members of the Stalinist PCP(U)—did little to organize the strike and placed big obstacles in the way of united action with the independent unions led by forces to the PCP(U)'s left (see *Intercontinental Press/Inprecor*, January 15, p. 12).

Faced with disunity at the top and the CGTP officialdom's obvious lack of enthusiasm for the strike, the Peruvian workers did not participate in the massive way they had done in the earlier national work stoppages of July 1977 and February and May 1978.

Threat of Right-Wing Terror

The military, in turn, took advantage of the Stalinists' hesitancy and launched their repressive moves. How far these will go remains to be seen. The workers movement has suffered a setback, but its organizations remain intact. An important task now is to press for the release of the prisoners, the lifting of the emergency, and the restoration of the banned periodicals.

The biggest danger at the moment is that the military—or a sector of it—will seek to renew the terrorist experiment they tried last September. At that time a wave of bombings and kidnappings—mostly against Trotskyists—was carried out by the "Peruvian Anticommunist Alliance" (AAP). The independent press almost immediately linked this outfit to military intelligence agents.

With most leftist and liberal magazines now banned, those who pull the AAP's strings may try to reactivate it. The go-

1. Confederación General de Trabajadores del Perú (General Confederation of Peruvian Workers).

2. The PST and the PRT are sympathizing organizations of the Fourth International.

vernment's threat that Hugo Blanco will "have to pay" should be taken as a warning signal in this regard.

The U.S. Committee for Justice to Latin American Political Prisoners has protested the repression and is demanding the immediate release of its executive secretary, Mike Kelly, and of all the trade-union and political prisoners. □

10,000 March in Managua

By Russell Morse

More than 10,000 persons marched in Managua January 10 to mark the first anniversary of the murder of Nicaraguan opposition leader Pedro Joaquín Chamorro and to protest the continued rule of dictator Anastasio Somoza Debayle.

Many demonstrators carried placards calling for unity in the fight against Somoza or the black and red flags of the Sandinista National Liberation Front (FSLN).

The march to Chamorro's grave in the Managua cemetery was preceded by a commemorative mass conducted by Archbishop Miguel Obando y Bravo, who has spoken out against Somoza's brutal rule.

As the demonstrators dispersed and headed back to their homes, heavily armed National Guard troops fired on the crowds, wounding at least ten persons. More than twenty protesters were arrested.

Opposition leaders said before the march that they were hoping for a participation of 100,000, but the Somoza regime denied permits for the protest until the last minute and filled the streets with troops and set up roadblocks during preceding days to intimidate Managua residents from marching.

On January 9, labor leader Luis Medrano Flores was shot and killed by soldiers as he was distributing leaflets in Managua urging people to attend the next day's protests.

National Guardsmen covered the outside of the church where the January 10 mass was to be held with pro-Somoza posters. Chamorro's fourteen-year-old nephew was detained when he tried to take them down.

There were also protests on January 10 in Rivas, León, Granada, Jinotepe, Diriamba, and elsewhere. Guardsmen fired over the heads of demonstrators and used tear gas in efforts to disperse the actions in a number of these cities. In Granada, soldiers fired on a crowd of people as they were leaving a church.

In recent weeks there has been an increase in reported clashes between troops and FSLN guerrillas both in the north and in the south of Nicaragua.

Next Week . . .

An interview with a group of South African revolutionists, obtained by IP/I staff member Ernest Harsch in Gaborone, Botswana.

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Behind Fall of Pol Pot Regime

By Fred Feldman

[The following article appeared in the January 19 issue of the *Militant*, a revolutionary-socialist newsweekly published in New York.]

* * *

In a rapid military drive, 100,000 Vietnamese troops together with 20,000 Cambodian insurgents captured virtually all of eastern Cambodia this month, taking the capital city of Pnomenh on January 7. Pressing westward from Pnompenh, the Vietnamese-Cambodian force moved rapidly toward the Thai-Cambodian border.

The invasion brought down the regime of Pol Pot. This government had ruled Cambodia since the collapse of the U.S.-backed Lon Nol dictatorship in April 1975. The new Cambodian cabinet is composed of figures from the Vietnamese-backed Kampuchean United Front for National Salvation, which was formed December 3. Most of the new officials are former supporters of the Cambodian regime who fled to Vietnam after reportedly attempting an uprising against Pol Pot in May 1978.

Heng Samrin, a former military commander under Pol Pot, was named as president of the People's Revolutionary Council of Cambodia.

According to the January 8 *New York Times*, the new regime promised to ease the brutal repression that scarred Cambodia under Pol Pot: "The front pledged to let families reunite freely and return to their cities of origin. Former city dwellers . . . were told that they could return 'when the situation in the whole country permits.' The front promised freedom of religion and the building or repair of destroyed temples. . . ."

"The front promised also to provide general health care, which has been virtually nonexistent since 1975, and to build schools for all children, 7 to 10 years old. Schools also virtually vanished under the Pol Pot regime."

The front also promised to "abolish compulsory marriage and encourage free choice in marriage" and to "establish an eight-hour workday with pay according to labor."

The front's eleven-point program made no mention of socialism as a goal, but an earlier declaration proposed an "independent democratic state advancing toward socialism." What forms of property ownership would be instituted by the new regime was not indicated.

Pol Pot Calls on UN

As the Pol Pot government saw defeat rapidly approaching, it demanded that the

United Nations Security Council intervene.

As Pnompenh was being captured, Cambodian Prince Norodom Sihanouk was released from what he said was house arrest under the Pol Pot regime and sent to New York via Peking to represent that regime at the UN.

Sihanouk was Cambodia's king during the last years of French rule. He was the country's neocolonial head of state from 1955 to 1970, when he was toppled by a CIA-backed coup because of his attempts to maintain neutrality in the Vietnam War. Sihanouk was the titular leader of the rebel Khmer Rouge forces during the civil war that followed. He served briefly as head of state after the fall of Lon Nol.

"I hope the United States and the great American people will help us to expel the



HENG SAMRIN

Vietnamese from Cambodia," Sihanouk declared in Peking at a January 8 news conference prior to departing for the UN. He called on the UN to condemn Vietnam and expel it.

In the days prior to the fall of Pnompenh, Washington rallied behind the Pol Pot regime's demand for a UN debate on Cambodia. U.S. officials denounced Vietnamese "aggression" and even gave a backhanded endorsement to Pol Pot.

"We don't like the Pol Pot regime," said Robert Oakley, deputy assistant secretary for East Asian affairs, "but we are not sure any new regime would be better for the Cambodian people." Following on the heels of Carter's last-ditch stand with the shah of Iran, the White House position sheds more light on the hypocrisy of Carter's human rights rhetoric.

Some State Department sources even initially floated the idea of giving Sihanouk and Pol Pot backing for guerrilla war against the new regime. But as it became

Most of the new officials were once supporters of Pol Pot . . .

clear that the Vietnamese-Cambodian advance was not meeting any large-scale resistance, such ideas were dropped.

By midweek, Washington was stressing that its denunciations of Vietnam should not be regarded as support for the defunct Pol Pot regime.

Behind Line-up of Forces

What explains the line-up of pro-imperialist forces against Vietnam in what is often presented as a conflict between two "Communist" regimes? The crocodile tears shed by U.S. officials over the violation of Cambodian "independence and sovereignty" should be dismissed. The U.S. rulers showed no such concern when they invaded Cambodia in May 1970 in a war that cost hundreds of thousands of Cambodian lives.

And why has the Vietnamese regime—which desperately wants "peaceful coexistence" with the U.S. and Southeast Asian capitalist regimes—taken the risks involved in sweeping away a neighboring government? Has it, as U.S. and pro-Chinese representatives charge, embarked on a program of imperialist conquest?

In reality, the Vietnamese rulers acted neither out of imperialist ambitions nor from a desire to spread socialist revolution beyond their borders. Their goal was the narrow one of protecting Vietnamese borders against a tightening ring of military foes. Their great fear was the emergence on the Indochinese peninsula of an anti-Vietnamese regime in Cambodia closely linked to Peking with increasing prospects for ties to imperialism, including possible military ties.

For the same reason, Vietnam has 25,000 troops in Laos, where the government formed by Pathet Lao rebels in December 1975 is fighting off counterrevolutionary guerrillas trained in earlier years by the CIA and currently getting the cautious support of the Thai regime.

Vietnam has also had to deploy more than 170,000 troops along its northern border with China, which was Cambodia's staunchest supporter in the war.

And the military encirclement and economic and diplomatic blockade of Vietnam

by U.S. imperialism continues in force.

Under all these circumstances, Vietnam's Stalinist rulers felt pressed to act against what was simultaneously the most politically vulnerable and the most militarily active of its opponents, the Cambodian regime headed by Pol Pot. They felt they had to strike quickly and massively, before the United States could take advantage of the conflict by beginning to forge links with Pol Pot.

Washington's Concerns

The Vietnamese leaders' intentions in Cambodia were defensive and not revolutionary. Nonetheless, a major part of the imperialists' concerns stems from their fear that a victory for Vietnam and its Cambodian allies will result in the extension of socialist revolution to Cambodia. This, they fear, may further destabilize capitalist rule in Thailand, where popular unrest against the military dictatorship is widespread and where rebel guerrillas continue to be active.

Opposition to the deepening social revolution in southern Vietnam, and to its extension to other parts of Southeast Asia, has been at the heart of the U.S.-Chinese alliance against Vietnam that has emerged over the past year.

The differing social nature of the regimes in Cambodia and Vietnam is key to the line-up of forces in the recent war. Both

A workers state was established in Vietnam . . .

the Cambodian and Vietnamese liberation forces faced overwhelming problems in the aftermath of their military victories over U.S. imperialism in the spring of 1975. Imperialist bombing and invasion had shattered the countryside, killed and maimed millions, and packed the cities with homeless refugees.

But the Vietnamese and Cambodian regimes took divergent courses in trying to grapple with these problems.

After delaying for nearly three years, in the hope of reaching an accommodation with imperialist and native capitalist forces, the Vietnamese rulers moved decisively, beginning in March 1978, to sweep away capitalism throughout South Vietnam and to integrate the southern economy with that of the bureaucratized workers state that had existed in the north for two decades.

The revolutionary measures introduced in the south included nationalization of 30,000 enterprises, the expropriation of hoarded goods, and the introduction of a single currency for the whole country. Anticapitalist measures continued, notably the nationalization of all large agricultural machinery and a new distribution of land aimed at fostering collectivized farming in December.

To carry out these measures, the regime organized mobilizations of workers and

The New Government in Cambodia

On January 8, one day after the capture of Phnompenh by the Vietnamese-backed National United Front for National Salvation, the formation of a new government was announced by the rebel forces.

According to a report by Radio Hanoi, Heng Samrin, a leader of the front, issued an order appointing himself as president of the new government, called the People's Revolutionary Council, and naming a vice-president and six other council members.

The other members of the government were announced as follows: Pin Sovan, vice-president; Chea Sim, interior; Hun Sen, foreign affairs; Keo Chanda, information; Chan Ven, education; Nu Beng, health; and Mok Sakun, economy.

Heng Samrin, who is said to be forty-four, was described in a December 5 broadcast by the front as the son of "poor peasants" who had begun "revo-

lutionary activities" in 1959, commanding first a battalion and then a regiment in the Cambodian rebel forces. He was said to have fled to Vietnam in May 1978 after leading an abortive insurrection against the Pol Pot regime.

Chea Sim, the only other member of the new government about whom details have been released, is said to be forty-six. He too is reported to have fled to Vietnam in May 1978.

Hanoi formally recognized the new government January 9. The Soviet Union, East Germany, and Afghanistan recognized it the following day. The government of Romania declined to do so, calling the ouster of the Pol Pot regime a "heavy blow for the prestige of socialism."

Peking, for its part, denounced the formation of the new government January 10 as just "one more puppet show" staged by Moscow and Hanoi to disguise their "aggression."

youth in Ho Chi Minh City (formerly Saigon), the center of most remaining capitalist forces. These mobilizations were tightly controlled by the bureaucratic caste that rules Vietnam and bars the masses from political debate and decision making.

As a result of these moves, a workers state based on the expropriation of the capitalists and a nationalized and planned economy has now been established throughout all of Vietnam. As in the Soviet Union and China, the full productive possibilities of such a progressive economic structure are stifled by the undemocratic rule of a privileged bureaucratic caste.

Cambodia's Different Road

From the very day it marched into Phnompenh, however, the Khmer Rouge set off on a different road that cut off the possibility of bringing the power of the Cambodian masses to bear in creating a more advanced social system.

Not only did the new regime oppose mobilizing the urban population in any way, it treated it as a deadly enemy. Cambodia's urban masses were immediately herded into the countryside, where they were dispersed into agricultural work camps. The virtual depopulation of the cities threw the entire society backward, away from the process that has occurred in Vietnam over the past year.

Large sections of the Cambodian peasantry were also forced to pull up stakes and move into so-called communes in distant parts of the country.

This policy had an extreme impact on the entire social fabric of Cambodian society. All higher and most elementary education was abolished. Literature and most cultural pursuits vanished. Freedom of religion was suppressed.

Child labor became universal, the hours

of labor were extended, and the seven-day workweek became the rule.

The only way such a regime could be maintained was by the most intense suppression of all democratic rights, even by Stalinist standards. The life of every citizen was controlled down to the smallest detail by the government. An equality of poverty was imposed on the vast bulk of an already poor population.

Refugees poured out of the country in reaction to these policies.

Despite the sharp break that the new agrarian regime appeared to represent from the neocolonial past, it actually moved away from the only road to progress for Cambodian society—the establishment of a workers and peasants government and the institution of a workers state.

The regime tried to gain some semblance of a popular base by presenting itself as the most fanatical defender of the national rights of the Khmer people, who make up the great majority of Cambodians. Such sentiments had grown to a high pitch because of decades of imperialist domination.

Border Conflict

Chauvinism against Vietnamese and Indian minorities in Cambodia was fostered, and violent border conflicts began with Vietnam and Thailand almost as soon as the Pol Pot regime came to power.

In its struggle with Vietnam in particular, Cambodia counted on the support of the Chinese Stalinist bureaucracy. For two years, the Cambodians appeared to hold the offensive in this border fighting. Independent observers who were shown the border regions by the Vietnamese government were convinced that the Cambodians had initiated many of the conflicts.

The Cambodian government barred re-

porters from its border regions.

At the end of 1977, however, the Vietnamese regime began to hit back hard with its superior military forces. Cambodia severed diplomatic relations, and Vietnam reversed its policy of returning Cambodian refugees to the tender mercies of Pol Pot's regime. Soon, 150,000 Cambodian refugees were in Vietnam, and the Vietnamese rulers began to build bases of support among Cambodian refugees and dissident Cambodian Stalinists in eastern Cambodia, where close ties with Vietnam had been forged during the liberation struggle.

China-Vietnam Dispute

The Chinese bureaucrats' heavy backing for Cambodia stems from the Peking regime's hostility to the Vietnamese revolution, which it views as an obstacle to stability in the region and to its alliance with U.S. imperialism.

The Chinese Stalinists sought to dissuade the Vietnamese leaders from bringing down the Thieu regime in 1975. And the overturn of capitalism in South Vietnam in 1978 brought shrieks of outrage from Mao's successors. They used the fact that the great majority of merchants and capitalists in the south were of Chinese national origin as a pretext for denouncing the revolutionary measures as racist.

The exodus that followed the expropriations has become the keynote of a U.S.-Chinese propaganda campaign against the Vietnamese revolution. The "boat people"—about 85 percent of whom are of Chinese descent—are pointed to as proof of

the evils stemming from the overturn of capitalism, although they represent only a small percentage of Vietnam's 50 million people.

China's threats, and the difficulties



POL POT

along its borders, compelled Vietnam to make a sharp turn toward the Soviet rulers. Vietnam strengthened its position economically and militarily by joining Comecon, the Soviet bloc's economic unit, and by signing a twenty-five-year defense and aid treaty with the USSR in November.

Sihanouk: Bring Back U.S. Troops!

As the Pol Pot leadership was facing the imminent collapse of its regime, the man they chose to send to the United Nations to appeal for imperialist intervention was the fifty-six-year-old former monarch, Prince Norodom Sihanouk.

Sihanouk, a puppet of the French, had become king while Cambodia was still a French colony. He later "abdicated" and took over as chief of state when the country became formally independent in 1955. With the escalation of American aggression in Vietnam, Sihanouk's government tried to avoid direct involvement in the fighting, but was eventually overthrown by a U.S.-backed coup in 1970, a few weeks before the massive American invasion of Cambodia.

At that point Sihanouk began collaborating with the Khmer Rouge insurgents. He took up residence in Peking, acting as the head of a government in exile until after the overthrow of the U.S.-backed regime in 1975.

Sihanouk returned to Cambodia, only to be put under wraps by the new government. By his own account, he remained under house arrest in Phnompenh until January 5, 1979, when he

was summoned by a desperate Pol Pot and sent first to Peking and then to New York to plead the regime's case.

Sihanouk's first news conference in Peking January 8 received extensive publicity, particularly his call for American and United Nations "help" to "create a military force to fight against the Vietnamese and drive them from Cambodia."

But by the time Sihanouk got to speak at the U.N., the military defeat of the Pol Pot regime was already an accomplished fact. The imperialist diplomats and their Chinese allies could do little more than assemble in the thieves' kitchen and make hypocritical speeches about the need to respect Cambodia's national sovereignty.

What about the "playboy prince"? The January 12 *New York Times* quoted Sihanouk as telling American reporters "I expect to stay in your glorious country a long time." Other reports have it that he will retire in France, where he owns a villa on the Riviera.

In any case, it looks like this time the prince's exile will be permanent. As Sihanouk himself acknowledged, "aristocratic nationalists are not much in demand in Cambodia any more." □

Imperialist hostility to Vietnam—which never abated after the defeat of the puppet Thieu regime—became more intense.

Before the social revolution reached a qualitative turning point in South Vietnam, the U.S. rulers had viewed the Cambodian regime primarily as a foil for sanctimonious human rights rhetoric. Carter decried the Cambodian regime as "the worst violator of human rights in the world today."

But after capitalism was overturned throughout the southern part of Vietnam, the imperialists began to consider the Cambodian dictatorship in a new light—as a possible buffer against the spread of the Vietnamese social revolution and as a

The Khmer Rouge set off on a different road . . .

military force for harassing the Vietnamese workers state.

Seeking aid against growing internal opposition and stronger retaliatory attacks from Vietnam, the Cambodian regime began to turn its eyes toward the imperialists and their neocolonial allies. The Chinese had no objection to this, since they were unwilling to substantially increase their expenditures in money and advisers, and since they were wooing the imperialists as well.

Over the past year, the Pol Pot regime began to devote increasing attention to opening these ties. In October, it invited UN Secretary General Kurt Waldheim to the country.

It also began to open its borders to more foreign capitalist press, including reporters from the *Washington Post* and *St. Louis Post Dispatch*, who visited Cambodia in December. Reporters for the two papers took an "objective" and even friendly tone toward the regime. They expressed doubts about the lies that had appeared in the American press about millions of executions and mass starvation. But they could not avoid conveying the image of one of the most totalitarian societies in the world.

One reporter was astonished when a Cambodian official gave her a ninety-four-page "Black Paper" on Vietnamese aggression that denounced the Vietnamese for having used Cambodia as a sanctuary during the U.S. war against Vietnam. The tone of these remarks indicated a shift on the Cambodian regime's part toward adopting some aspects of the U.S. view of the Vietnam War.

The regime also established diplomatic and trade relations with Thailand, Singapore, Malaysia, and Indonesia. And while border tensions with Thailand appeared to ease, new incidents began developing along Cambodia's border with southern Laos, the center of rightist resistance to the Laotian regime, which is closely allied with Vietnam.

In addition, Thailand permitted China to overfly its air space to bring arms and

other support to Cambodia for the conflict with Vietnam.

The imperialist powers took note of these overtures. Australia began to move toward establishing diplomatic relations with Cambodia. According to the November 10 *Far Eastern Economic Review*, the Australian government held that "it is essential to preserve [Cambodia] as an independent buffer between non-communist Thailand and communist Vietnam."

The same issue reported deepening Japanese interest in aiding Cambodia:

"Behind Japan's desire to aid Cambodia is also the desire to see that it is economically viable. Some observers in Bangkok believe that the Asean [alliance] states, too, think that any regime in Phnom Penh is preferable to one submissive to Hanoi."

While Cambodia was getting an interested response to its offers of collaboration, the Vietnamese rulers were getting the cold shoulder. Vietnam agreed to help identify the bodies of U.S. soldiers missing in action in Vietnam and dropped its demand for reparations from the U.S. government as the price of diplomatic relations. But no response was forthcoming.

In September and October, Vietnamese Premier Pham Van Dong visited the Philippines, Malaysia, Thailand, Singapore, and other countries of the region. He offered fulsome proof of the Vietnamese rulers' readiness to oppose revolutionary struggles in the region if the neocolonial regimes would guarantee Vietnam's security and establish full economic relations.

None of these concessions were enough to satisfy Washington's satellites in the region.

The December 29 *Far Eastern Economic Review* asserted that Vietnamese Foreign Minister Nguyen Duy Trinh "revealed in Tokyo that the US is now raising three new issues before allowing normalisation—Vietnam's ties with the Soviet Union, its dispute with Cambodia and the Vietnamese refugees. . . ."

"The most important factor seems to be an increasing Washington tilt in favor of the beleaguered Pol Pot regime in Cambodia. . . . In the face of the increasing threat to Phnom Penh from the Vietnamese and Hanoi-backed Khmer insurgents, Washington appears ready to give precedence to geopolitics over human rights."

Under these circumstances, the establishment of full diplomatic relations between the United States and China—and the growing hostility by both to Vietnam—may well have contributed to convincing Hanoi that decisive action was needed to break the diplomatic and military noose it felt tightening around its neck. Delay posed the danger that the U.S. "tilt" could evolve into direct assistance to Pol Pot, adding to the sizable aid the Cambodian ruler was getting from Peking.

The Vietnamese rulers carried out the overturn of Pol Pot in pursuit of their interests as a privileged bureaucratic layer. In this instance, doing that required the military defense of the workers state this parasitic caste feeds on.

Washington's Record in Cambodia

The Carter administration and the capitalist press in the United States have launched a hypocritical campaign denouncing Hanoi for "aggression" in Cambodia. In the process, they conveniently overlook Washington's ferocious military intervention in Cambodia just a few years ago.

In April 1970, shortly after Lon Nol's CIA-backed coup against Sihanouk, President Nixon ordered an American invasion of Cambodia. As the civil war in Cambodia spread, American bombers went into action on a grand scale, and continued to hit the Cambodian countryside even after American ground troops were withdrawn in June of that year.

The saturation bombing, including the use of napalm, went on for three more years, pounding the country with 442,735 tons of bombs. This was equivalent to more than 100 pounds of explosives for every man, woman, and child in the country.

Reporters who were able to view sections of Cambodia after the fall of Pnompenh in April 1975 described

scenes of widespread devastation.

Correspondent Sydney H. Schanberg reported in the May 9, 1975 *New York Times* that "we encountered a wasteland of broken bridges, abandoned fields and forcibly evacuated highway towns. . . ."

"Some of these areas we passed through had been badly bombed by the United States Air Force in the early years of the war. Fields were gouged with bomb craters the size of swimming pools."

Jon Swain, in the May 11, 1975, issue of the London *Sunday Times*, described a village outside Kompong Chhnang: "The war damage here, as everywhere else we saw, is total. Not a bridge is standing, hardly a house. I am told most villagers have spent the war years living semi-permanently underground in earth bunkers to escape the bombing. . . ."

After taking Pnompenh, the Khmer Rouge regime released a statement charging that 600,000 Cambodians had been killed during the five-year war, and another 600,000 wounded, out of a total population of 7 million.

The events in Indochina demonstrate the criminal effects of Stalinism. The Cambodian regime carried the Stalinist concepts of totalitarian rule, hatred of the working class, and national chauvinism to the point of blocking the socialist revolution entirely and replacing it with a bizarre authoritarianism based on the labor of a militarized peasantry.

The Peking regime's criminal alliance with U.S. imperialism, its attacks on Vietnam, and its support of the Cambodian tyranny have dealt a savage blow to the world revolution. This deepens the isolation of the Chinese workers state from its

U.S. rulers must provide reconstruction aid . . .

real defenders and allies, the oppressed of the world.

And the nationalist course being followed by the Vietnamese rulers is not qualitatively better. In exchange for diplomatic and economic deals, they have declared their readiness to stand against revolutionary struggles elsewhere in the world in the name of "peaceful coexistence."

While the new government in Pnompenh has promised to end some of the most bizarre and repressive aspects of the regime instituted under Pol Pot, it will not bring workers and peasants democracy to Cambodia.

There is no indication, for example, that

the Cambodian masses will have a greater say in the selection of their government than the Vietnamese people have been given.

Nor can the Vietnamese Stalinists who now militarily predominate in Cambodia be counted on to respect the national rights of the Khmer people, including their right to national self-determination.

The Cambodian people face a long and difficult struggle for democratic rights and socialism, in which the overthrow of Pol Pot was only one necessary step. Their struggles in the future will be closely intertwined with the battle of the Vietnamese workers and peasants to replace the ruling bureaucratic caste with a regime of genuine proletarian democracy.

Workers, farmers, and other oppressed people in the United States should oppose demands that the United Nations intervene in Cambodia. Such intervention—while unlikely given the present relationship of forces in Indochina and on a world scale—would only be a paper-thin cover for U.S. imperialist intervention. The U.S. rulers used the UN to mask counterrevolutionary moves during the Korean War in the 1950s and later in combating nationalist forces in the Congo.

And we must also oppose the attempts to use Cambodia as a pretext for tightening the U.S. military encirclement, diplomatic boycott, and economic blockade of Vietnam. The U.S. rulers, who brought so much death and destruction to Indochina, must provide massive reconstruction aid to Vietnam, Laos, and Cambodia—with no strings attached. □

Shah to Leave Iran, Generals Remain

By Gerry Foley

On January 12, the U.S. capitalist press reported as big news that Washington thought it was a good idea for the shah to take a "vacation" outside Iran.

The *New York Times* said that Secretary of State Vance had "endorsed" the shah's decision at a news conference at which the U.S. official announced the Iranian crowned dictator's plans.

The *Wall Street Journal* said that Washington's attitude represented a "shift." Neither paper commented that it was a bit strange that Vance should announce the shah's plans, and choose to make it clear that he approved of them. It was as if the Iranian monarch were a top employee of the U.S. government. That is, of course, in a general sense, true.

It seems that at this point in the mass upsurge, which has virtually paralyzed all economic activity in Iran, Washington finds it pointless to try to keep up the pretense that the shah is an independent ruler.

Facing a mass upsurge of such breadth and power, Washington has little hope of achieving an "acceptable" solution unless it can split the opposition front. However, the hatred of the masses is focused precisely on the figure of the shah, and this pressure is the strongest cement of the movement against the present regime.

Thus, the most interesting question raised by Washington's "shift" is why it has waited so long to get the shah on a plane out of Iran. The longer he remains, the more explosive the situation becomes, and the more pressure mounts on the army, which could crack open at any minute.

How nervous the military are is indicated by an Associated Press report January 11 that the families of officers were appealing to the opposition religious leaders to hold back the masses from stringing up members of the army and secret police hierarchy.

Paradoxically, this report also indicates one of the main reasons why Washington finds it difficult to get the shah out of the way as quickly as the situation demands.

The top military must be terrified that Washington will sacrifice them if it thinks that this is the only way it can defuse the situation. Layers of top officials have already been thrown to the wolves.

For example, the Western press has been reporting that as soon as the Iranian papers were able to reappear they "gave prominent display to photographs of former prime minister Amir Abbas Hoveyda and other former officials in their cells." (*Washington Post*, January 9.)

What retainers of the regime can be

more hated than the military officers who have stained their hands with the blood of thousands of Iranian demonstrators in the past four months? If the monarchy crumbles, the very least they face is imprisonment. Some of the top military, such as General Oveissi, military law administrator for Tehran, have already fled the country.

However, for most of the military there is no easy way out. At the first sign of a general flight, the tottering "order" would collapse, leaving most of them at the mercy of the masses. In any case, only a small minority of the military can look forward to a gilded exile.

Even General Djam, who the Bakhtiar government hoped would fill the need for a reliable military chief with relatively clean hands in the new government, is reportedly having difficulty getting out of the country.

After returning from abroad to consider Bakhtiar's offer of a cabinet post, Djam quickly decided that it would not be healthy to associate himself with an "opposition" government handpicked by the shah. He wanted to leave for London, but the flight service is not so regular these days.

Obviously the military wants the shah to stay in the country with them as a guarantee that they will not be sacrificed. After all, the Iranian monarchy, like any other capitalist regime, is made up of persons who are essentially thieves. They know that they cannot trust each other.

Another reason that the U.S. is having a difficult time in carrying out its plan to get the shah out of the way is that he represented the key authority figure in the military hierarchy. Once he is out of the way, even temporarily, U.S. officials fear that the military will start tearing each other apart, like frightened rats.

In the January 9 *Wall Street Journal*, for example, staff writer Karen Elliott House wrote:

"The Carter administration remains divided over whether to urge the shah to leave Tehran. While some officials say his departure is necessary if the weak Bakhtiar government is to have any chance of succeeding, they acknowledge that key White House advisers continue to believe the shah's presence increases the chances of keeping the military unified, thus preserving one force for order."

Even though it has finally decided that it must get the shah out of Iran without further delay, Washington is by no means ready to give up the monarchy or even the shah himself. The monarchy remains the final guarantee for U.S. imperialism.

As long as the shah remains formally the monarch, he can provide the cover of governmental legitimacy for any coup or for direct U.S. intervention itself. Such cover is particularly necessary in this case, since Iran borders on the Soviet Union.

Therefore, any compromise by the oppo-

U.S. Oil Workers Back Iran Strikers

[The following letter, dated January 4, was sent to the Iranian Mission to the United Nations by Anthony Mazzocchi, vice-president of the Oil, Chemical and Atomic Workers Union (OCAW) of the United States. OCAW represents

workers throughout the American petroleum industry.

[A copy of the letter was made available to the Committee for Artistic and Intellectual Freedom in Iran, which has released it to the news media.]

Gentlemen:

As an officer of an international union which represents more than 180,000 workers in the oil, chemical and atomic industries in the United States and Canada, I wish to state to you that I strongly oppose your military government's brutal and bloody attacks on the 38,000 Iranian oil workers.

I sincerely believe that the strike of the Iranian oil workers is toward the restoration of human rights in Iran, and I protest any reprisals against them. I am in full support of the oil workers' efforts to organize and defend their lives in face of the Iranian military government's attacks.

I therefore demand the release of all the arrested striking oil workers and the 20 leaders arrested on December 17 now facing military court.

As a trade unionist, I further believe that workers anywhere in the world must have the right to help form a government in their own country which will afford them the legitimate right to organize for the purpose of demanding better wages and conditions of work. I therefore fully support the Iranian workers' struggles for political freedom and for a democratic government which will serve their interests and the interests of all the people in Iran.

Finally, it is also my belief that the United States government has for too long intervened unjustly in the internal affairs of Iran and that it should immediately withdraw any and all support—political and material—for the Shah's military regime.

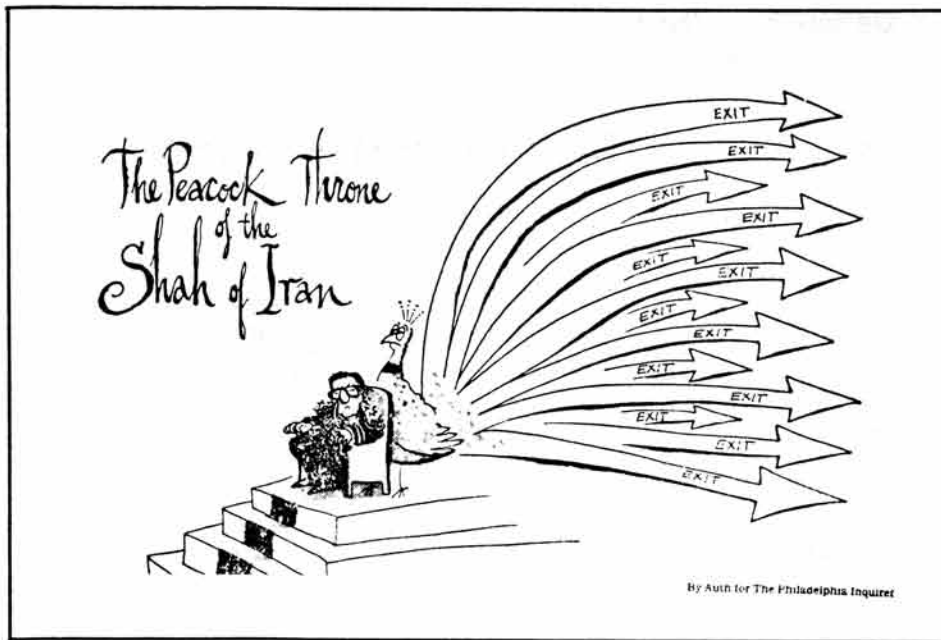
Anthony Mazzocchi
Vice President

sition with the monarchy would be extremely dangerous. However, the Iranian masses and their most authoritative leaders have made it clear that they will settle for nothing less than the abolition of the monarchy.

Thus, Washington has apparently begun to prepare another "shift." In the same issue in which it reported Vance's statement, the *New York Times* noted:

"So far, [U.S.] officials said, the Administration has had no direct contact with the Ayatollah [Khomeyni] or his entourage in the Paris area, but meetings have taken place with his associates in Iran and the United States."

No doubt this report was given considerably more attention in Iran than in the U.S. press. Obviously such moves can only make the military more nervous. But many of these officers, to say nothing of the lower ranking military, are likely to draw the lesson that the only way they can save their necks is to try to make their own deal with the opposition, and that there is no time to lose. □



Will Iranian Upheaval End Oil Shipments to South Africa?

By Ernest Harsch

The white rulers of South Africa have been spending some restless nights recently as the Iranian monarchy neared the end of its rope.

Not only would the fall of the shah deprive the apartheid regime of a valuable political ally, but it would also strike a sharp blow at an especially vulnerable point of the South African economy—oil imports.

Although South Africa is rich in deposits of gold, uranium, platinum, and other minerals, it has no known oil reserves of its own. Its highly advanced industrial base is dependent on imported oil, more than 90 percent of which has come from Iran during the past few years.

A sudden cutoff of that oil link could seriously disrupt the South African economy, weakening the racist regime's ability to keep the oppressed Black majority under control.

The ruling class's concern has been expressed to an extent through the prominent coverage this question has received in the South African press. The December 15, 1978, issue of the *Rand Daily Mail* ran a story under the headline, "Iran: The Threat to S. Africa." Two days later the *Johannesburg Sunday Times* proclaimed, "Iran Totters on the Brink: SA Could Face Oil-Supply Problems and Price Rise if Shah Goes."

What is at stake, Stanley Uys of the *Rand Daily Mail* reported, was "the special relationship which existed between Iran under the Shah and South Africa."

That "special relationship" first flowered during World War II, when Reza

Shah, the father of the current shah, came to South Africa in exile. He died in South Africa, and a statue and museum were erected in Johannesburg in his honor.

The apartheid regime has openly supported the present monarch since he stepped onto the throne. In recent years, the ties between the two regimes have become particularly close, especially since they both served as protectors of imperialist interests in their respective regions.

In 1973, the Organization of African Unity appealed to members of the Organization of Petroleum Exporting Countries to impose an oil embargo against South Africa because of its racist policies. All of them formally agreed—except for the shah.

Besides becoming South Africa's main source of oil, the Iranians began to invest directly in South Africa, the National Iran Oil Company acquiring a 17.5 percent stake in the Natref oil refinery. Iran likewise became South Africa's biggest market in the Middle East, absorbing more than \$100 million worth of South African exports over twelve months in 1976-77.

It is these lucrative links that are now being threatened by the massive upsurge of the Iranian people. Under tremendous political pressures, even the shah's hand-picked prime minister, Shahpur Bakhtiar, has said that oil supplies would be cut off to both Israel and South Africa.

One high South African official, quoted in the January 8 *Washington Post*, commented, "We have to face up to the prospect that the future Iranian leader, whether the shah or somebody else, is not

going to want to continue the special relationship between our two countries."

Because of South Africa's large coal reserves, it relies on oil for only 20 percent of its total energy needs. But it would be virtually impossible to reduce that dependence any further, since much of the oil is used in the transportation sector.

Difficult as an Iranian oil cutoff would be for South Africa itself, it would be even more of a nightmare for the Rhodesian regime next door. Because of international sanctions, the Rhodesians are entirely dependent on South Africa as an oil conduit. Moreover, some 17 million gallons of scarce oil stocks were destroyed in Salisbury in December during a guerrilla attack there.

Not surprisingly, Pretoria's agonies over the Iranian upsurge have been greeted with glee by Black activists in South Africa.

One former leader of a Black Consciousness organization, which was banned more than a year ago, told this correspondent in Johannesburg in November: "For years, there have been appeals to foreign governments to stop selling oil to South Africa, to bring about a boycott. But the oil still comes. Now, maybe, it will be the people of Iran who at last finish the job."

In a similar vein, another former student leader, who still lives in South Africa, told me, "We do not know much about Iran, just what is printed in the papers. But it reminds me very much of our own struggle here, when we demonstrated in 1976."

"If the shah falls, that will help us. It will show that unjust systems can be brought down." □

Turkey—One Million Protest Rightist Terror

By Gerry Foley

The first indication of the readiness of Turkish workers to defy the martial-law regulations banning all strikes and political meetings came on January 5, when a reported one million workers took part in a five-minute silent work stoppage to protest rightist terror.

The action, called by the left-wing union federation DISK, took place less than two weeks after the declaration of the state of "emergency." Constitutional guarantees were suspended in thirteen provinces December 26, on the pretext of countering a rightist pogrom that claimed at least 100 lives in the city of Kahraman Maras.

An indication of the militancy of the protest was given by the Istanbul daily *Cumhuriyet*, which carried on the front page of its January 6 issue a picture of protesting workers, standing by their machines giving the clenched-fist salute.

The DISK organizers faced military repression in building their action. In Diyarbakir, for example, which is in the largely Kurdish eastern part of the country, representatives of DISK and thirty other organizations were prevented by police from holding a news conference. The union representative was held in administrative detention.

The representatives of the other organizations were "manhandled" by the police, the union leadership said in a protest.

The January 7 *Cumhuriyet* carried an ad placed by DISK announcing that strikes that had been under way in twenty-four workplaces would be continued and that workers in ninety-one other workplaces had decided to go on strike. There was no comment on this by *Cumhuriyet* on either January 7 or 8.

Despite the resistance of the DISK leadership to the military's attempt to demobilize the workers movement, the federation

had drawn in large sections of workers belonging to unions affiliated to Türk-Is. The unconcealed satisfaction of the right-wing and neofascist leaders at the declaration of martial law has made it absolutely clear that this measure is aimed against the workers movement and the left.

On December 29, rightist former Premier Suleyman Demirel met openly with Colonel Alp Arslan Türkes, organizer of the rightist terror gangs that staged the pogrom and massacre in Kahraman Maras on December 22—the sort of events that martial law was supposedly instituted to stop.

Demirel and Türkes were obviously taking the ball that Ecevit had handed to them and trying to run with it. After his meeting with the neofascist leader, Demirel issued a statement saying: "The government must not interfere in the

application of martial law." Thus, he was joining with the neofascists to demand that the right-wing military leaders be left a free hand to do as they pleased.

Such moves by the rightist leaders are a warning to the workers and the left parties that they have to begin now to organize broad struggles to prevent the military from putting them in a straitjacket, in which it and the fascists can cut their throats at their leisure.

In these circumstances, there seem to be relatively few illusions about the meaning of the martial-law declaration.

For example, in a news conference January 7, Behice Boran, chairman of the Turkish Workers Party, probably the most broadly supported left party, sharply condemned the Ecevit government for its decision to suspend constitutional guarantees:

"Terrorist actions must be suppressed. But the free exercise of democratic rights and freedoms must not be obstructed. There is no justification for banning strikes. In striking and mobilizing in other ways, the workers are by no means engaging in terrorism. The government must realize that you cannot defend democracy by banning democratic rights and freedoms."

Boran also warned that in order to continue to administer a capitalist system in crisis, Ecevit was going to move toward using more repression against the workers movement.

However, since neither the Turkish Workers Party nor the DISK leadership has yet called for a campaign against martial law as such, it remains to be seen whether the forces yet exist that can provide the sort of organization and leadership necessary.

Nonetheless, the work stoppage of one million shows that a considerable section of the Turkish working class already understands the threat represented by the declaration of martial law and is ready to fight against it. □

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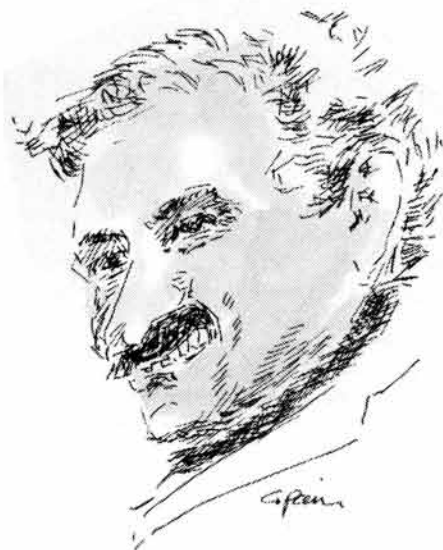
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ECEVIT

Martial law is aimed against the workers movement and the left . . .

leaders have not denounced the declaration of martial law as such or called for a campaign to have it lifted.

In general, the DISK leaders have confined themselves to saying that the military regulations must not be applied to the detriment of the democratic rights of the Turkish masses—as if they were likely to be applied in any other way.

The conservative labor federation Türk-Is, traditionally closely linked to the gov-

4,000 Oppositionists Commemorate 1970 Strike in Poland

[On December 18 more than 4,000 demonstrators gathered in the Polish city of Gdansk to commemorate the eighth anniversary of the 1970 strike wave that rocked Poland—a movement that began among the Gdansk shipyard workers and spread rapidly throughout the country.

[The commemorative demonstration at the gates of the Lenin shipyard was organized by the KSS/KOR and the ROPCiO, two organizations of Polish dissidents.

[The KSS/KOR (Committee for Social Self-Defense/Committee to Defend the Workers) was formed in September 1977 out of the KOR, an organization that had been established to defend workers victimized following a June 1976 strike.

[The ROPCiO (Movement for the Defense of Human and Civil Rights) was formed in February 1977. Its ranks include Polish nationalists and people who were members of bourgeois-democratic parties before World War II. ROPCiO claims several thousand members throughout Poland.

[In its January 2 issue, the French Trotskyist daily *Rouge* published an interview with Adam Michnik, a member of the KOR and editor of the samizdat publication *Krytyka* (Critique).

[The following excerpts from the interview have been translated by *Intercontinental Press/Inprecor*.]

Q. What can you tell us about the December 18 demonstration in Gdansk?

A. On Monday at 2 p.m. about 4,000 persons gathered in front of the shipyard, in response to posters that had been put up around town. The demonstration was preceded by the arrests of many local oppositionists—people who worked with the KSS/KOR, ROPCiO, and the free unions. The militia tried to stop all those who were going toward the shipyard with flowers, wreaths, and so on.

Despite this, our friend Bogdan Borusewicz of the KSS/KOR was able to lay a wreath that bore the inscription: "To the workers of the shipyards who fell in December 1970—KSS/KOR." Streamers from ROPCiO and the free unions of the Baltic coast were attached. The wreath of the shipyard workers, however, was intercepted by the militia.

The demonstrators observed a moment of silence to honor the memory of those strikers who had been killed. Then they sang the Polish national anthem, the *Internationale*, and an old national song that begins "God, you who have made Poland. . . ."

In the course of the meeting Borusewicz and Szoloch (a member of the 1970 strike committee in the shipyards) spoke of the

need for people to defend their own interests, and through this the interests of the nation. Those members of the free union who had been arrested the night before sang the Polish national anthem at the same time, showing their solidarity with the meeting in this way.

Following the demonstration several people were arrested, including Borusewicz and Walega (a member of the 1970 strike committee). Walega had already been arrested the night before and then released

The demonstration was preceded by many arrests . . .

around 2 o'clock on Monday. He went directly to the demonstration, where he was again picked up.

Q. What about the November 11 demonstration in Warsaw?

A. As you know, November 11 was the sixtieth anniversary of Poland's independence. A high mass was held in Warsaw. Afterwards, a procession formed and went to the Monument to the Unknown Soldier, where flowers and wreaths were laid.

Members of the KSS/KOR passed out a declaration. This document, while affirming the historic significance of the reappearance of an independent Polish state, tried to show both the high and low points of the period between the wars. In this way it differed from other documents. It stressed the deficiencies of the prewar period such as the social inequality, the persecution of national minorities, the violation of civil liberties, and so on.

Q. In your opinion, what problems are posed by the resurgence of "national" slogans at this time?

A. I can answer you, a Marxist, by citing a letter written by Engels. He said that Polish socialists who refused to put forward the slogan of national independence would be condemned to remain observers of the struggle. There is a great need for these slogans in Polish society, where there is sharp consciousness of the plundering of the nation, of its lack of sovereignty.

It is necessary to reassert the traditions that the government is trying to destroy and make people forget about. These traditions, of course, can be used in different ways. This is a problem because in Poland, as in any country that is conscious of having been conquered, it is easy to provoke national megalomania. Personally, while I am conscious of this danger, I feel that the policy of destroying the national conti-

nity is much more of a danger at present.

Q. Do these demonstrations signal a change in the political situation in the country?

A. They are part of the same development we have been seeing for nearly three years—the society is systematically demanding its rights. I don't think we are talking about a new phenomenon; this demonstration had similarities to the one in Cracow in 1977 following the death of Stanislaw Pyjas.¹

The sources of the tension have not been eliminated, and I don't think they can be. Thus the danger persists that one of these demonstrations will explode, and full responsibility for such an explosion would fall on the government, whose only response is to continue the searches, the arrests, the confiscations. . . .

Q. What role does the journal Robotnik [Worker] play in the opposition press?

A. *Robotnik's* role is immense. It is a bimonthly with a circulation that is never less than 10,000 copies. It is distributed in the majority of the large plants in Poland and is read with great interest in working-class circles, as shown by the correspondence and the contributions to the workers fund it receives. *Robotnik* is the place where the concerns and demands of the working-class milieu and the intellectual

Free unions can become a center of opposition . . .

milieu come together. It is a new publication that has brought the KOR into our intellectual life, and it should serve as an example for the other countries of Eastern Europe.

Q. What can you tell us about the free unions in Poland?

A. The free unions are important in Gdansk and on the coast. They have a chance to become a center of the opposition in this region—and not just the working-class opposition. They publish a bulletin called *Robotnik Wybrzeza* [Coastal Worker]. □

1. Pyjas, a student sympathizer of the KOR, was found dead in the hall of an apartment building in May 1977. He had apparently been beaten to death. His funeral became the scene of a demonstration of several thousand people. Several oppositionists were arrested following the demonstration, and were not freed until July 1977.

Outlook for the World Capitalist Economy in 1979-80

By Ernest Mandel

At the end of 1978, the international economic picture was dominated by the first signs pointing to a downturn in the United States, the only imperialist country where the 1976-78 upturn had attained some scope. The warning signals were the following: A characteristic overloading of the credit system. A rise in the inflation rate. And a jump in interest rates, which will result in choking off the "minibooms" in the automotive industry and construction, which were really "minibooms" in credit (consumer loans and mortgages).¹

Orders for capital goods are beginning to show signs of running out of steam. The rising profits of the big industrial trusts, which were the outstanding feature throughout the upturn, are now running up against all the factors I have just mentioned. In this area as well, a downturn seems near.

In fact, in its October 30 issue, the American magazine *Business Week* pointed out that while in the third quarter of 1978 profits were 12% to 13% ahead of what they were in the third quarter of 1977, 60% of the companies are already showing profits below the level of the second quarter of 1978. Moreover, 45% of these companies have seen their profit margins narrowed from those of 1977, when profits were already quite meager for a year in which there was a rather strong economic upturn.

Carter's 'Defense of the Dollar'

The steps taken by President Carter on November 1, 1978, to halt the precipitous decline of the dollar against the "strong currencies" (primarily the German mark and its satellite currencies, the yen, and the Swiss franc) and to stem the rising rate of inflation in the U.S. have reinforced all the factors bringing about a downturn in the United States.

These steps have not caused and will not be the cause of the downturn. Such a slump is inherent in the cyclical movement of the capitalist economy. The economic policy of bourgeois governments, especially those such as the U.S. government which have vast resources, can dampen or accelerate these tendencies. For three years, the Carter administration's policy

1. According to the November 18, 1978, issue of the *Economist*, the most favored borrowers at that time had to pay 10.75% interest in the U.S., 11% in France, 13.5% in Great Britain, 15.5% in Italy. On the money market, day-to-day borrowing back and forth between financial institutions cost more than 9.5% in interest in the U.S., 9% in Great Britain, and 10.75% in Italy.



MacNelly/International Herald Tribune

"played" its cards for an expansion. Now it is playing them for a moderate recession. That is the meaning of the steps to "defend the dollar."

I have said that the Carter administration is playing its cards for a "moderate recession." Actually, it is under a number of constraints from which it cannot easily escape. There is first of all a social and political constraint. Contrary to the myth widespread in Europe, there is no conservative "groundswell" among the working masses in the United States, and especially no weakening of the organized

Carter wants to provoke a moderate recession in 1979 . . .

power of the unions that would justify the supposition that the American workers will accept unemployment rates of 8% or 10%.

To the contrary, the evolution of the unions over the last two years indicates that a new worsening of unemployment, coupled with the other aspects of the Carter administration's offensive against labor, would accelerate the first tendencies toward radicalization that have appeared in the unions as well as a new rise in militancy on the part of a number of sections of the working class.

Moreover, 1980 is a presidential election year in the United States. Accelerating the course toward a deep economic recession, which would bring a sharp increase in unemployment on the eve of election, would amount to political suicide.

A deep recession in the United States would have no less grave repercussions on the international capitalist economy. It would inevitably spread to all the imperialist countries and a great many semicolonial and dependent countries during 1980, or even as early as the end of 1979. In view of the fact that the capitalists' situation has deteriorated by comparison with that in 1974, on both the economic and the social and political levels, the risk of "destabilizing" important countries involved in such a recession would be a grave one for the international bourgeoisie and would rebound against the American imperialists themselves.

In these conditions, it is quite clear what the Carter administration's calculation is. It wants to provoke a moderate recession in 1979, which could be limited both in its depth and in its duration. One of the essential factors in moderating the American recession would be its coinciding with a continuation or even an acceleration of the upturn in several important imperialist countries, especially West Germany and Japan.

Just as the strong upturn in the USA "fed" the upturn in Germany and in Ja-

pan, despite the "stabilization" policy applied by both governments in 1978, a stronger upturn in West Germany and Japan during 1979 could "feed" an upturn in the USA in 1980, despite the American policy of "stabilization to defend the dollar."

In this way, the Carter administration would score successes in several areas at once. It would be able to approach the election campaign without having a massive increase in unemployment on its hands. The inflation rates in the USA and in West Germany and Japan could move back toward similar levels. The U.S. balance-of-payments deficit would be cut drastically. The dollar would make a lasting recovery.

Moreover, the Carter administration may hope that a "moderate" increase in unemployment, as opposed to a sharp one, would also be sufficient to dampen for some years the slow radicalization taking place in the unions and in certain sections of the working class in the United States.

This is the scenario as it is expected to unfold. What are the Carter administration's chances for bringing it off?

First of all, this projection is based on one underlying assumption—that there will be a desynchronization of the economic cycle in the main imperialist countries lasting throughout 1979 and 1980.

Let us recall that such a time lag limited the extent of the recessions in the 1950s and the 1960s. It was eliminated during the "speculative boom" of 1972 and 1973, which was universal throughout the imperialist countries. This was followed by a recession common to all these countries in 1974 and 1975. The capitalists' hope for avoiding a new general recession in 1979 and 1980 is based essentially on the observation that there has been a desynchronization in the upturn over 1976, 1977, and 1978.

However, looking more closely at this claim, we note that it only very partially reflects the economic reality. It is true that major imperialist countries such as Great Britain, Italy, and even France experienced phases of stagnation or even decline in industrial production during the

1975-77 upturn. But this was no longer true toward the end of 1977. Only some small imperialist countries such as Sweden or New Zealand were still in a downturn.

Rather than a desynchronization of the cycle, it would be more correct to speak of an unevenness in the upturn in 1978. In these conditions, it is by no means predetermined that, with a lag of a quarter or two such as occurred in the 1974-75 recession, the American recession now on the horizon will not extend to the majority of the imperialist countries. This is all the more probable since toward the end of 1978 there were increasing signs that the now much weaker and hesitant upturn was running out of steam in a series of imperialist countries—Great Britain, Italy, France, and Switzerland. And in Japan itself the rate of growth, which was 7.5% for the period from September 1977 to September 1978, fell to 2% in the quarter running from July 1978 to September 1978.

Actually, the assumption on which Carter's scenario is based depends on a single country—West Germany. There, the signs appearing at the end of 1978 did point toward a modest spurt in growth in 1979, rather than a downturn, if everything else remains equal. The whole question is whether an increase in the growth rate from 3.5% to 4% in a single country will be sufficient to stave off a recession in most of West Germany's Common Market trading partners, or in Japan, especially when these countries are feeling the impact of a recession in the United States. As can be seen, this hope is rather slim.

However, in order to be able to outline more precise economic perspectives, we have first of all to examine the structural changes that are taking place in the world capitalist economy, rather than speculate about conjunctural fluctuations in the short, and sometimes very short, term.

Why the Dollar Fell

The persistent weakness of the dollar is not the result essentially of the spectacular jump in petroleum imports. It is the result fundamentally of the declining competitiveness of American imperialism on the world market. The two "technical" aspects

of the decline of the dollar—more buoyant inflation in the United States, resulting from a more "expansionist" policy than that pursued in West Germany, Japan, France, and elsewhere; and the American government's attempts to make U.S. exports more competitive through depreciation of the dollar—are linked structurally to this underlying cause.

The manufacturing industry in the United States has lost its lead in productivity in most fields. The industrial plant in the USA is relatively outmoded by comparison with that in West Germany and Japan. At the same time, potential excess productive capacity is much greater in the U.S. Therefore, the U.S. government *has to* follow a more inflationary policy in order to avert a catastrophic rise in unemployment and excess capacity.

Where many commentators, both bourgeois and some using a Marxist frame of reference, have seen either a "conspiracy" or an "irresponsible laxity in monetary policy that comes from relying on political supremacy," I see an economic constraint. And this constraint is reinforced by a social and political priority. The U.S. government is determined to prevent the development in the working class of a climate of hostility to the social system comparable to that existing in most of the other capitalist countries around the world.

It should also be noted that the policy of promoting American exports through a constant devaluation of the dollar has been a failure. Or, to be more exact, it has been unable to prevent a continuous deterioration of the position of the United States on the world market. At most, it has prevented further acceleration of this deterioration.

I pointed out above that the U.S. has definitely lost its position as the leading exporter of manufactured goods on the world market. That position is now being held by West Germany. Even in second place, the U.S. is followed very closely by Japan. (See Table 1.)

What is new is that after the third quarter of 1977, West German exports have gone ahead of U.S. exports overall, includ-

Table 1
Share of Main Imperialist Countries (%) in Total World Exports of Manufactured Products

	USA	West Germany	Japan	France	Great Britain	Italy
1968	20.1	19.4	10.6	8.2	11.6	7.3
1970	18.5	19.8	11.7	8.7	10.8	7.2
1972	16.1	20.2	13.2	9.3	10.0	7.6
1974	17.2	21.7	14.5	9.3	8.8	6.7
1976	17.2	20.5	14.6	9.7	8.8	7.1
1977	15.5	20.7	15.4	9.9	9.4	7.6
Third Quarter 1977	16.0	20.6	15.4	9.9	9.9	7.5
Fourth Quarter 1977	14.7	21.0	15.2	10.0	9.6	8.1
First Quarter 1978	14.4	20.9	16.8	9.5	9.9	6.6
Second Quarter 1978	15.1	20.8	16.0	9.7	9.2	7.8
Third Quarter 1978	16.1	20.8	15.8	10.1	9.9	7.2

Source: National Institute Economic Review, November 1978

ing foodstuffs and raw materials. This is despite the fact that in these latter fields the U.S. holds considerable advantages over West Germany, in view of its enormous natural resources, especially in the area of cereals. (See Table 2.)

It is possible that this trend will show a reversal in the latter two quarters of 1978. But it is sufficient to indicate that the Carter administration's "benign neglect" in tolerating the free fall of the dollar was essentially defensive in character, and not offensive, as has been claimed.

Big Changes in World Market

The following are the other essential structural changes taking place in the world market:

- The imperialist countries, especially Japan, face stepped-up competition from the semi-industrialized East Asian countries (South Korea, Taiwan, Hong Kong) in a number of industries and not just the traditional ones (that is, textiles, clothing, shoes, and toys). Now this competition has extended to the assembly of electronic components, watchmaking, construction of electronics installations abroad, and even shipbuilding. In this connection, the weekly magazine *Far Eastern Economic Review* wrote in its October 13, 1978, issue:

Wild fluctuations in the value of the yen have contributed to the speed at which other East Asian countries have overtaken Japanese industry in competitive power. As Japanese industrial structural change slows and that of other East Asian countries shifts from light to heavy and chemical industries at a pace exceeding that of Japan in the 1960s, industrial structures of various countries in the region become increasingly similar and the vertical integration of production that fuelled this growth in its early stages is progressively enervated.

It should be remembered that in 1976, the total exports of South Korea, Taiwan, and Hong Kong all rose to over \$7.5 billion. In the case of South Korea, 88% of these exports were manufactured goods; in Taiwan it was 79.4%; and in Hong Kong it was nearly 90%. (The exports of these three countries taken together rose to 50% of the level of Italy, which has about the same population as their combined total. This means that their per capita exports have already reached 50% of Italy's.)

Hong Kong's exports continue to be based essentially on light industry. But

that is much less true of Taiwan (electrical machinery and steel account for 20% of its exports) and for South Korea, which is exporting more and more steel products, ships, cement, petrochemical products, and so on and is now going into machinery production.²

The grave fears that this competition has provoked in Japan have led to a twofold reaction. There is a rush toward a "grand reentry" onto the Chinese market. At the same time, an attempt is being made to set up a new horizontal division of labor with Japan's new competitors in the framework of a sort of "East Asian Common Market" including South Korea, Taiwan, and Hong Kong. The idea was launched in July 1978 when the main strategist of the Liberal Democratic Party, Masumi Esaki, was visiting Seoul. It was

The U.S. has lost its position as the leading exporter of manufactured goods . . .

accepted in principle by the Park regime in South Korea.

- There is a sharp slowdown in the expansion of the market the OPEC members offer for the imperialist countries. This is going hand in hand with a very rapid decline in the balance-of-payments surpluses of the OPEC countries. These have now slid from \$65 billion in 1974 to less than \$10 billion in 1978, and could disappear altogether in 1979 or 1980. (Iran already has a \$1 billion balance-of-payments deficit for 1978.)

The total exports of the petroleum exporting countries (including Mexico) have risen from \$2 billion in 1968 to \$4 billion in 1972, \$9 billion in 1974, and \$17 billion in 1976 (on a quarterly average). In the

2. According to the *Neue Zürcher Zeitung* of November 21, 1978, the Swiss trust Brown-Boveri and the South Korean financial group Daewoo have set up a joint venture to build equipment for South Korean power stations. Brown-Boveri holds 49% of the initial capital of \$20 million, Daewoo, 51%. But the scope of this joint venture far exceeds this modest initial capital. The steam-turbine factory at Chang Wong alone will require an investment of \$120 million.

second quarter of 1977 they reached \$22.5 billion, in the third quarter \$23 billion, and in the fourth quarter \$25.4 billion. In the first quarter of 1978, they were \$24.6 billion. That is, taking into consideration the depreciation of the dollar, these exports are stagnating. And the predictable response from OPEC, a new increase in the price of oil at the end of 1978, is not going to help "the fight against inflation" any in the imperialist countries.

Iran has had to cut back sharply its plans for investment and for imports. Notably, it has had to give up the plan to have the Americans build eight nuclear power stations and to have the West Germans build four supplementary stations. Two nuclear power plants are still being built by French contractors and another two by West German contractors.

- There is a shrinkage in the resources of the Latin American countries (with the exception of Mexico). This is shown clearly in the following figures on exports from the continent as a whole (excluding Venezuela and Mexico): \$9.3 billion for the second quarter of 1977, \$8.2 billion for the third quarter, \$8.2 billion for the fourth quarter, and \$8.5 billion for the first quarter of 1978 (also a quarterly average). Taking into consideration the devaluation of the dollar, this represents a clear contraction in volume.

Of course, the boom in exports of petroleum products and natural gas that Mexico is expected to enjoy will give this country a special place in the evolution of the international economic situation in the coming years.

Mexico's oil production now comes to 1.4 million barrels a day. This should double by 1981. The country's reserves are estimated at 200 billion barrels, more than those of Saudi Arabia. Between now and the end of 1982, the Lopez Portillo administration hopes to get \$30 billion in revenues from petroleum and petrochemicals.

Hoping to be able to gain some maneuvering room as a result of Japanese-American competition, the Mexican bourgeoisie is trying to take advantage of this unexpected bonanza to increase its autonomy vis-à-vis Washington and Wall Street. The American imperialists are responding by tightening the hold they have through their control of technology. Notably, they have established their ownership

Table 2
Total Exports in Billions of Current Dollars (Averaged Quarterly)

	USA	West Germany	Japan	France	Great Britain	Italy
1968	8.6	6.2	3.2	3.2	—	2.6
1972	12.4	11.6	7.2	6.4	—	4.6
1976	28.8	25.5	16.8	14.0	11.1 (1975)	9.2
Third Quarter 1977	30.6	29.5	20.2	16.2	15.2	11.0
Fourth Quarter 1977	29.5	32.1	21.2	17.5	15.5	12.1
First Quarter 1978	31.1	32.4	23.9	17.3	17.0	11.5
Second Quarter 1978	33.7	34.8	23.8	18.4	16.6	13.7

of all off-shore oil drilling rigs. They are even bringing to bear some discreet military pressure (*Frankfurter Allgemeine Zeitung*, November 16, 1978).

• Relative stagnation has appeared in East-West trade. These exchanges even declined in 1977, given the enormous deficit in the balance of payments of the East

Nervousness reigns in international banking circles . . .

European countries and the USSR with the imperialist countries. There was renewed expansion in 1978. But it immediately resulted in a serious new rise in the debts of East European countries and the USSR to capitalist banks. This will lead the governments involved to put the brakes on this expansion once again in the immediate future.

A study published at the end of November 1978 by the United Nations Economic Commission for Europe points out that the net indebtedness of the East European countries to Western banks rose by 7.2 billion over the first three months of 1978. This compares with an increase of \$3.8 billion in 1977 and \$6 billion in 1976.

According to the September 12, 1978, issue of the *Neue Zürcher Zeitung*, West German exports to the East European countries are declining. They have fallen from 17.4 billion marks in 1975 to 16.7 billion in 1977, and in the first half of 1978 they were 8.7 billion.

The so-called compensation agreements that have been concluded, especially in chemicals, are intended to be a way of getting around the stagnation in economic exchanges resulting from overindebtedness. These deals assure a market for East European chemical products by means of barter. They are a matter of serious worry to trusts such as ICI because they threaten these companies' own markets. (*Financial Times*, November 6, 1978.)

• Protectionist tendencies are growing in the United States but not only there. The new GATT agreement on the reduction of tariffs can be regarded as a semi-failure. Even within the European Economic Community, protectionist measures are on the rise, and not just against "third countries" but against member states as well, although in the latter case such measures so far are more restrained.

A whole panoply of indirect methods are being used to raise protectionist barriers, notably through differences in the sales tax. (In the case of automobiles this varies between 11% in West Germany and 33% in France.) In 1973, the EEC Commission investigated 60 specific cases of violations of the right of free entry for products from member countries. Now it is investigating 400 cases. But as the weekly *Economist* said in its October 28, 1978, issue, that is only the tip of the iceberg.

Protectionist pressure is obviously the strongest in those imperialist countries

that are most vulnerable because they are the least competitive, such as Italy or Great Britain. In its November 2 issue, for example, the *Observer* said:

It is hard to exaggerate the atmosphere of despair that reigns when two or three of those responsible for Great Britain's economic policy meet today. It takes only a few minutes before one of these figures breaks the taboo and raises the question whether the drift toward protectionism that is anticipated in the 1980s will be initiated by the left or by the center.

All told, it can be concluded that the world market hardly favors a continuation of the economic upturn in the imperialist countries. It can even be expected that in the next recession, countries such as Brazil, South Korea, Taiwan, and the member countries of OPEC will experience not only a slowing of their rates of growth but that, since they are now more integrated in the world market than they were in 1974, they also run the risk of an absolute decline in economic activity.

The prediction by the *National Institute Economic Review* (in the issue cited) that the volume of world trade will show an increase of 6% in 1978 can be rejected as lacking in realism. In stressing the extension of protectionist measures, the annual study of GATT ("International Trade 1977-78") was much more prudent.

To the forces that impede the extension of the world market for capitalist commodities must be added those factors choking off a revival in the domestic markets of the main capitalist countries, which in turn represent the lion's share of the world market. (Out of a total of \$274 billion in imports throughout the world, exclusive of the workers states, in 1977 the imperialist countries bought \$195 billion, or 71.2%.)

Specter of Rising Unemployment

Under the combined impact of inflation, growing massive unemployment, and austerity—with its attacks on wage increases and social benefits—the buying power of the broad masses is increasing only marginally, if at all. Registered unemployment has continued to grow, except in the United States. By the end of 1978, it had reached a total of seventeen million persons in the imperialist countries. Since these figures underrepresent the real numbers of unemployed, the actual total in the imperialist countries is now probably more than twenty million.

Registered Unemployed in October 1978 (in millions of persons)

USA	5.9
Italy	1.7
Great Britain	1.4
Japan	1.6
France	1.2
Spain	1.2
West Germany	1.0
Canada	1.0
Australia	0.4
Belgium	0.4
Netherlands	0.2
Other Imperialist countries	1.5

Moreover, these figures are in the context of an economic upturn. If there is a new recession, it can be expected that the total of registered unemployed will reach the level of twenty million, with the real number approaching twenty-five million. The extreme gravity of these figures is obvious. They confirm what Marxists have always said about the capitalist mode of production. So much the worse for the purveyors of the myth of a "mixed economy" that is no longer capitalist.

Worsening unemployment, combined with attacks on what has been won in social benefits, represents a serious drain on the buying power of the masses, thereby blocking any possibility for maintaining the upturn through consumer spending. (As an example of the cuts in social benefits, in France the Barre government has just imposed a sharp hike in social insurance payments by wage earners, retirees, and even certain categories of the unemployed.)

In the United States, on September 9, 1978, retail sales had increased nominally by 10% over the beginning of September 1977. But the officially recognized rise in the cost of living was 8.4%. The volume of retail trade thus increased by barely 1.5%. (*Business Week*, October 2 and November 13, 1978.) This situation is still more clear in Great Britain. Despite a stronger upturn in 1978, the volume of retail trade had barely reached the 1973 level by the third quarter of the year.

Volume of Retail Sales in Britain (1975=100)

1971	94
1972	99
1973	103
1974	102
1975	100
1976	100
First Quarter 1977	97
Second Quarter 1977	96
Third Quarter 1977	98
Fourth Quarter 1977	98
First Quarter 1978	100
Second Quarter 1978	101
Third Quarter 1978	104

Source: *National Institute Economic Review*, November 1978

The trend is hardly more favorable in productive investment. In volume, in Great Britain such investment remains below the level of 1970 (!) and of 1971, although it has been increasing since the second half of 1977.

In France, the "four quarters" INSEE study has revealed that after the sharp decline in investment in 1974 and 1975, the upturn that appeared in 1976 was only a flash in the pan. In 1977, there was a new drop in investment. It is expected that 1978 will show stagnation in the private sector, compensated for by an increase in the public sector. According to a report in the October 10, 1978, issue of *Le Monde*, the volume of investment in private enterprises in 1978 will prove to be 5% below that in 1973.

In Japan, after a decline of 2.5% in 1975,

there was an upturn in investment in 1976 and 1977. But the rate of increase was much more modest than it was in the 1960s. (In 1976, there was a rise of 3.8%, in 1977 of 4.2%.) It seems clear that here as well there are more and more signs of exhaustion. This is true especially because the back of the export boom is being broken by the upward revaluation of the yen. According to the *Financial Times* of September 7, 1978, the volume of Japanese exports fell by 2.5% in the second quarter of 1978 (by comparison with the second quarter of 1977). In July 1976, this decline increased to 7.6%. Hardest hit have been shipbuilding, steel, and television sets. But

A new recession is inevitable . . .

even in automobiles, the sector in which after 1975 Japan had become the world's leading exporter, a downturn seems to be developing.

It is significant that for averting economic stagnation in 1979, the Japanese are counting on a pumping up of public works investments and not an upturn in private investment. The latter will increase by no more than 2.9% in 1979, as against 6.9% in 1978 (AGEFI, December 14, 1978).

It is true that Japanese industrialists have ambitious long-term plans. Japan is the only country in the world where the share of the domestic market held by American computers has been reduced. The Fujitsu-Hitachi group is now setting out on a big export offensive, backed up by a technology comparable to that of IBM and an alliance with Siemens in Europe and Amdahl in the USA. It is opening up a "price war" with IBM and hoping to outstrip its technology in the next generation of electrical computers (*Le Monde*, September 21, 1978).

However, these long-term projects do not involve investments on a large enough scale to revive the enthusiasm of the trusts. These companies have little expectation of any rapid expansion of their foreign markets, and consequently they show a reluctance to make any substantial increases in their productive capacity.

There was a strong upturn in private investment in the United States in 1977, which continued into 1978, feeding the general economic upturn. How far into 1979 will this trend continue? In its December 4, 1978, issue, *Business Week* said:

Production of business equipment . . . is losing some of its momentum. In September and October, output rose at an annual rate of 5%; in the eight months prior to that, it had been advancing more than twice as fast as that.

In the November 13 issue of *Business Week*, it could be seen that, according to the soundings that have been made, the amount that capitalist firms expect to spend on investment in 1979 comes to \$171.4 billion. In view of an 8% rate of inflation in the capital goods sector, this represents an increase of only 2% in real

terms, the smallest since 1975. Moreover, this figure will have to be readjusted downward if there is a business downturn.

There remains West Germany, where a more substantial increase in investment spending is expected in 1979.¹ But again the question can be asked whether a moderate expansion in West Germany is enough to stave off a downturn in the world economy.

The cause of the lack of an investment boom does not lie so much in any absolute inadequacy of profits. These increased sharply in most of the imperialist countries in 1976-77. More important is the depressing effect on long-term large-scale investment projects of the weight of excess capacity, the uncertainties generated by inflation and by upsets in the international monetary system, and the absence of major new markets. In a nutshell, despite rising profits, profit rates are still not high enough, and the determined resistance being put up by the workers against the austerity policy obviously plays a certain role in this.

In its September 18, 1978, issue, *Business Week* wrote:

Many corporations complain that it is just plain tougher to find investment opportunities with sufficient returns to justify the risk of investing. GE's Jones noted in his Senate testimony that real aftertax return on investment for nonfinancial companies, deflated for 'phantom' inventory profits and underdepreciation, fell to a measly 4% in 1977 from 9.9% in the 1965 high-investment period.

A similar process can be observed in Great Britain. In 1977, the real profit rate (that is, subtracting the increase in the valuation of inventories owing to inflation) rose from 3.5% to 4.5%. This compares with 10% to 14% in the 1960s and 7% to 9% at the beginning of the 1970s. (*Neue Zürcher Zeitung*, October 13, 1978.)

Dark Clouds Hanging Over International Credit System

It was not just the need to prevent a runaway inflation in the United States, fueled by a constant devaluation of the dollar, promoted by inflation in the first place, that led the Carter administration to take the spectacular measures it did on November 1, 1978, at the risk of touching off a recession in the United States. The grave dangers to the entire system of international credit that were generated by the decline of the dollar undoubtedly weighed heavily in Washington's decision to reverse the priorities in its cyclical policy.

Expressing an initial opinion about the possible repercussions of the November 1 measures, the *Wall Street Journal* said November 2:

3. One sector of the West German capital goods industry at the moment faces a shortage of orders—the nuclear power sector. According to the *International Herald Tribune* of November 15, 1978, its biggest problem is the consequence of court suits undertaken by environmentalists, which have obstructed the construction of many nuclear power plants in West Germany.

If this foreign exchange intervention is merely an exercise in cosmetics, the dollar is likely to collapse, taking with it the international trading system and the Western economies generally.

Today, there is an enormous mass of paper dollars in circulation in the banking system outside the U.S. In the November 14, 1978, issue of *Le Monde*, Michel Lélart estimated it at \$720 billion. Those with large holdings of dollars are resigning themselves to losing a little of their capital every year, as the exchange rate for the dollar erodes against other currencies or against the price of gold and diamonds. If they were to dump their dollars all at once their losses would be still greater, since any massive sales on the money market would bring sharp declines in the exchange rate.

However, if the erosion of the dollar reaches the point of a real crumbling, holders of large amounts of U.S. currency may be caught up in a panic. Anticipating a headlong drop of the dollar, they may dump their holdings at any price. In this case, the result would be more than just a collapse of the exchange rate for the dollar. The entire banking system could be thrown into insolvency, both in the U.S. and the rest of the world. Where could enough gold or foreign currency be found to cover several billion dollars?⁴

In its November 5 issue, the London *Sunday Times* wrote:

The OPEC countries, for example, hold U.S. Treasury bonds representing short-term loans and liquid deposits amounting to roughly \$50 billion. If they fail to renew them—a possibility that is conceivable of course only in the context of an international panic—this would provoke a catastrophic crisis of the dollar.

Moreover, let me repeat again, the inflation in the U.S. is not the result of "incorrect" monetary, economic, and cyclical policies. It represents a constraint that arises in the age of late capitalism in order to forestall catastrophic overproduction. Once again throughout 1977 and 1978, the links between credit inflation, monetary inflation, and the fall of the dollar were revealed, in the light of the upturn in the U.S., which was stronger than the one in Europe.

In fact, since the start of 1977, the volume of credit has risen in the U.S. at an annual rate of 14%. In the second quarter

4. One of the consequences of the fall of the dollar has been its decline as an instrument of international credit, for lenders, not for borrowers. Obviously the latter are crying for loans in dollars (as the Chinese are doing in their negotiations with the Japanese banks). The volume of loans in Eurodollars placed in 1978 fell to half the value of Eurobonds. The remainder were drawn in other currencies. The American banks are suffering from this.

According to a report of the Bank of England, quoted in the *International Herald Tribune* of December 15, 1978, the share of U.S. banks in the new loans contracted on the Euromarket in London fell from 50% to 24%. The share of Japanese and British, but above all, West German, Swiss, French, and Benelux banks rose correspondingly.

of 1978, consumer credit grew at an annually adjusted rate of 16%. In the third quarter it was 20%. And in September and October 1978, the expansion of consumer credit virtually skyrocketed. Consumer loans increased by 26%. Mortgages went up by 24%, and loans to industry went up by 22%. (*Business Week*, November 22, 1978.)

Think about these figures. Production increasing at an annual rate of 5.5% led to an annual increase in the volume of retail sales of 1.5%, and this required an increase in the volume of consumer credit of from 14% to 20%. It may easily be imagined to what heights overproduction would soar if the flow of credit were choked off. But such an expansion of credit is impossible without speeding up the rise in the rate of inflation. And no substantial reduction in inflation is possible without choking off credit. So, we get massive overproduction, economic crisis, a giant jump in unemployment, and the rest of it.

Credit inflation is not just a feature of the domestic consumer market in the U.S. and in the international capitalist economy (runaway expansion of credit to the bureaucratized workers states, the weaker imperialist countries, and so on). It is also a feature of more than a few operations by the great trusts, including the most prestigious multinationals.⁵

Shockwaves From Iran Upsurge

According to the November 24, 1978, issue of the *Far Eastern Economic Review*, the Japanese Mitsui trust, the second largest of the financial groups and "multinational" companies in Japan, has a very precarious financial structure. The total value of its stock at the present exchange rate is about \$800 million. Its total obligations and debts amount to \$18 billion. Its annual turnover amounts to \$48 billion. The journal remarked: "... the trading companies [the form under which the financial groups have operated since the Second World War] enormous business is based on credit rather than assets, and ... once that credit falters their apparent strength can turn quickly into weakness."

What "revealed" this weakness in the case of Mitsui was the prerevolutionary crisis in Iran. This financial group got deeply committed in a Japanese-Iranian joint venture to build a petrochemical complex at Bandar-Shahpur. The project was on a 50-50 basis, the Iranian contribution coming from the country's nationalized petroleum company. The Japanese contribution, about \$280 million in initial capital, was put up by five companies controlled by the Mitsui group, which make up the Iran Chemical Development Company.

5. It should be noted, however, that the upturn in profits since 1976, combined with the relative stagnation in investment, has enabled many trusts to improve their financial structures and to enjoy large liquid reserves. For example, this enabled the Peugeot group to pay cash when it bought out Chrysler's European subsidiaries.

As is always the case in giant projects of this type, the real costs far overran the anticipated ones. Some experts think that the final cost of the project will be more than \$5 billion, almost all of it financed through credit. The governmental assurances and guarantees obtained by Mitsui are very complicated. But if the Bandar-Shahpur complex were nationalized without compensation by a revolutionary government in Iran or destroyed in the course of rebellions, Mitsui could lose up to \$800 million, that is, an amount equaling all its capital in Japan. Hence the consternation in Tokyo.

We see continual manifestations of the nervousness that reigns in international banking circles in view of the more and more vulnerable—some would even say explosive—international credit structures and the situation of the dollar. Thus, many countries and banks that had committed



Herblock/Washington Post

themselves to refloating the finances of the Mobutu regime in Zaïre, which are in sad shape, decided finally to beg off. Turkey is finding it more difficult to consolidate its foreign debt of \$5.5 billion dollars. (*Economist*, October 28, 1978.) Several banks involved in Eurocredit affairs started after the final week in November to refuse credit to Iran (*New Zürcher Zeitung*, November 13, 1978). And this certainly did not help any to stabilize the shah's tottering regime.

As can be seen, the growing vulnerability of the international credit system itself is a factor limiting the capacity of the imperialist governments to intervene to repair the breaches in the plans for "cleaning up" the international capitalist economy that are being continually opened by the class struggle of the workers and the struggle of the masses in the colonial and semicolonial countries.

The three main conclusions that emerge from this examination of the world economic situation confirm and extend those that were made in the analysis of the economic situation published in the January 9, 1978, issue of *Intercontinental Press*.

- A new recession is inevitable. A great number of unknowns may influence when

We must prepare for a long period of hard-fought major class battles . . .

it begins, and so it is impossible to predict exactly when the downturn will set in. It is not the function of Marxist analysis to make such prophecies. That is better left for the speculators (at their own expense) and the astrologers (at the expense of their clients). What is likely is that if the recession is put off until 1980, it will be more severe than if it comes in 1979.

- The 1974-75 recession did not bring a big enough increase in the rate of exploitation—that is, enough sacrifices and speedup for the workers—or a big enough devaluation of capital⁶ to make it possible to restore sufficient "health" to the economy from the standpoint of capitalist profitability. This tightening of the screws was not sufficient to permit a strong enough rise of the real profit rate. And thus, it was not sufficient to give impetus to an advance rapid enough to lead to a new boom.

Hence the decade ahead of us will be a long period of slow growth, or even stagnation, interspersed with grave recessions and hesitant upturns. There will be a succession of economic, social, political, and military crises, over all of which will hang the threat of a financial panic and a collapse of the international system of credit.

- This situation could be changed qualitatively only if crushing defeats were suffered by the workers in some of the key industrial countries, the masses in some of the economically most important areas of the so-called third world, or in some important workers states. Such defeats are impossible in the context of the present relationship of forces. This relationship cannot be altered decisively without a great many limited battles and skirmishes. These in fact have already started.

So, we must prepare for a long period of hard-fought major class battles. The need is not for speeches about the possible defeats that may be suffered. The need is to arm ourselves for these battles, which can and must end with the victory of the working class. □

6. Nonetheless, some of the big American multinationals (Chrysler, Firestone) as well as their European counterparts (British-Leyland, Rhône-Poulenc) find themselves in difficulties and face an uncertain future in the intermediate term.

Inside Soweto Today

By Ernest Harsch

SOWETO—Fully two years after the massive political upheavals that swept this Black township, little, if anything, has been done to improve the depressed conditions here.

A visit through a number of the townships that make up Soweto* reveals a sprawling urban ghetto, a segregated residential area for "Africans only."

For more than a million and a quarter Blacks, Soweto is home. Although it is not officially designated as a city, it is the largest urban area in South Africa in terms of population size, and among the five largest in Africa south of the Sahara. It lies over thirty-three square miles of generally level terrain, southwest of the "white" city of Johannesburg, from which it is separated by a wide *cordon sanitaire* of open fields.

Unlike Johannesburg, with its modern apartment complexes, office buildings, and skyscrapers, Soweto is flat. Only a handful of buildings in Soweto are more than one-story high. The skyline is interrupted only by the two huge cooling towers of the Orlando power station on the outskirts of the township, and the rows of almost identical houses stretch on for mile after mile.

One is immediately struck by the bleakness of Soweto: the unpaved red dirt roads scarred by mammoth potholes, the absence of any sidewalks, the litter in the streets and the open fields, the wrecks of old cars, the uniform rows of unadorned red or gray brick houses, the lack of any malls or downtown areas.

Soweto has few of the social amenities usually associated with urban life. It has only three cinemas, one hotel, three banks, three post offices, one hospital, and few stores that sell anything more than groceries or the commonest household items. There are no supermarkets or shopping centers, and only one produce market. Most sports fields are bare stretches of dusty land. Telephones are rare, and street lighting is absent in most of the township.

In both summer and winter, a heavy pall of grayish smoke emanating from coal and wood stoves hangs over Soweto for much of the morning.

"The health services are terrible," says Dr. Nthato Motlana, chairperson of the Soweto Committee of Ten, a broad-based community group. "I haven't seen roads being tarred in the last ten years and there's barely any street lighting. And as

*Greater Soweto is divided into twenty-eight townships. The ones this correspondent visited were Orlando East, Orlando West, Dube, Mofolo, White City, Moletsane, Tladi, Jabavu, Mapeta, Zola, and Jabulani.

for housing, thousands have no hope of ever having their own homes."

Those who are lucky enough to get houses have little to brag about. The houses themselves are tiny cubicles, most with only four rooms. Sowetans call them "matchboxes."

These "matchboxes" are grossly overcrowded, with around six or seven persons living in each one. Despite Soweto's expanding population, the white authorities have refused to construct enough housing. In fact, the number of new houses built each year has steadily declined since the mid-1960s. During 1978, no houses whatsoever were put up by the West Rand Administration Board (WRAB), which runs Soweto.

As a result, 25,000 Soweto families—more than 100,000 persons—are now on the official waiting list for new houses; many others have not even bothered to apply, since they are in Soweto illegally or are ineligible to obtain houses (a category that includes widows, deserted or divorced wives, and unmarried mothers).

But they must live somewhere. So they squeeze in with friends or relatives.

A mere 15 percent of Soweto's houses have bathrooms; almost all toilets are out in back. Two-thirds lack hot running water. Most are without electricity and are lighted only by candles and paraffin lamps. Some areas of Soweto have only one bed for every three occupants. Three-fourths of the houses lack ceilings; since most have roofs of corrugated iron sheeting, they are quite hot in the summer, and chilly in winter.

The residents of Soweto have almost no security and cannot own the land they live on; it is owned by the WRAB, to which they must pay up to a quarter of their incomes in rent. The ownership of houses is prohibitive to all but a privileged few: around R6,600 (US\$7,590) for the newer type of houses, a figure a number of times higher than the average family income for an entire year.

A few of the houses in Soweto, especially in Dube township, are large and impressive, with well-manicured flowerbeds and exteriors that speak of affluence. They belong to Richard Maponya, Ephraim Tshabalala, and other Soweto "millionaires," who are favored by the authorities for their collaborationist roles.

For the vast bulk of Soweto's population, however, poverty is the norm. It can be seen in the unpainted walls and old furniture in countless houses, in the worn and faded clothes of children and adults alike, and in the skinny limbs and short stature of many young Sowetans.

Fully 80 percent of all Soweto households live *below* the semiofficial Minimum Effective Level, a common poverty indicator. That level, currently at about R200 a month, is supposed to be just enough to keep a family of six in a state of subsistence. In practice, however, even those families who earn that much have trouble making ends meet.

Hunger is constant. A recent study found that protein malnutrition is a "major clinical problem" among Blacks in the Johannesburg area. Some 45 percent of all ten-to-twelve-year-olds suffer from it.

Disease is also prevalent. Tuberculosis is among the most common. Soweto schoolchildren have the highest known incidence of rheumatic heart disease in the world, a disease in which nutritional and socioeconomic factors play an important part.

Given the overcrowding and poverty—combined with the frustrations generated by white supremacist society—it is not surprising that Soweto has one of the highest crime rates in the world. Apartheid, a system of institutionalized violence against Blacks, produces violent reactions.

The problem of crime is intensified by widespread alcoholism, for which the white authorities are directly responsible. The WRAB has a monopoly on all legal sales of alcoholic beverages in Soweto, selling, according to a WRAB official, 160 million barrels of beer a year, at 9 cents a liter.

Many beer halls and liquor stores in Soweto were put to the torch during the 1976 rebellions, as symbols of the regime's attempts to keep Soweto submissive.

The material conditions of life in Soweto are made that much worse by the severe political and social oppression every Sowetan faces daily.

Every African over sixteen years of age must carry a reference book—commonly called a pass—which includes information on the individual's personal background, employment record, tax payments, and authorization to live in Soweto.

Because of the regime's rigid system of "influx control," which limits who can legally live in Soweto, it is very difficult for anyone not born in Soweto and actively employed in the area to obtain permission to live there with their family. But many Blacks from other townships or from the rural areas go to Soweto anyway, either to be with relatives or in hopes of finding a job. Since they lack the proper signatures in their passes, they live in fear of being stopped on the street for a pass check or of being caught in the nighttime police swoops for pass "offenders."

In a half-hearted attempt to lessen South Africa's image as a police state, and to provide a slight fiction of Black political representation, the authorities have installed a Black-staffed Community Council in Soweto. It is composed of prominent collaborators with the regime. Though it is claimed that it "runs" the township, it has no real powers. Its members are considered government stooges by most Sowetans.

The regime's claims aside, Sowetans have no control over their conditions of life. Those are dictated by the white minority regime.

Just as Blacks in Soweto itself have no real rights, they are totally excluded from the franchise on a national level. They have no say over the laws adopted by the all-white parliament, nor can they legally object to the implementation of Pretoria's racist policies.

Soweto reflects, in microcosm, the kinds of oppression that Blacks are subjected to throughout the country. Sowetans cannot own the land on which their houses stand; on a national level, they are excluded from land ownership in 87 percent of the country. Africans in Soweto are segregated residentially *within* the township along ethnic lines; nationally they face a divide-and-rule policy that seeks to fragment them as Zulus, Xhosas, Sothos, Pedis, Vendas, and so on.

Just as Blacks throughout South Africa are viewed as rightless laborers for the white businessmen and entrepreneurs, Soweto is considered an economic appendage to Johannesburg, the industrial and financial hub of the South African economy. Soweto is, in effect, little more than a dormitory for Johannesburg's Black work force.

The reality of this situation is strikingly apparent. Every morning some 350,000 Black workers in Soweto crowd onto the township's train platforms and bus stops, pile into the dilapidated transport, and within a few minutes whisk off to their jobs in Johannesburg. Every night they are hauled back to Soweto, their presence in the "white" city being tolerated only during working hours.

The same goes for their residency "rights" within Soweto itself. Blacks are allowed to live there only as long as they fulfill their assigned function as cheap and docile laborers. As soon as they are thought to be negligent in that role, they can be unceremoniously booted out, no matter how long they may have lived in Soweto. And while Black workers are permitted to live in the area, they receive only the barest minimum—and in many cases not even that—to keep them going.

Soweto's basic function as an urban labor reservoir for the white-owned factories and mines is repeated throughout the country in the hundreds of Black townships and shantytowns that are clustered around every "white" city. Visits to Lamont, KwaMashu, and Ntuzuma near Durban and to Diepriver, Retreat, Grassy Park, and Crossroads near Cape Town revealed conditions similar to—and in some cases worse than—those in Soweto.

Soweto, of course, is much better known than the other townships, partly because of its sheer size, but most of all because of the way in which the people of Soweto stood up against the racist system of apartheid. It was the focus of the 1976 rebellions.

The signs of those uprisings are still visible today: the burned-out remnants of liquor stores and WRAB offices, the broken



Johannesburg skyscrapers overlook Soweto roofs.

Ernest Harsch/IP-1

windows in many high schools resulting from protests against the racist educational system, the small, metal grave markers for the victims of the police terror.

The bristling police stations still stand in Soweto, surrounded by heavy barbed-wire fences, like outposts in an occupied territory. The cars of the security police still converge on houses in Soweto at any time of the day or night, to round up real or suspected political activists for the terrifying ride to John Vorster Square, the main police headquarters in Johannesburg. The newspapers in Soweto still carry the virtually daily reports of political arrests and trials, and every now and then of yet another death in detention.

The massive repression of the past two years has imposed an uneasy calm on Soweto. But the population has not been

beaten into submission. Political activists are cautious, but their continued willingness to resist is reflected in the activities of groups like the Soweto Students League, the Soweto Action Committee, and others that are trying to give some focus to the discontent through the few open and legal channels left to them. Some activists are organizing clandestinely.

In the wake of the initial Soweto uprisings, the authorities tried to defuse some of the anger by promising improvements in Soweto's conditions. But two years later, few things have changed. In the words of one Soweto resident, "Soweto's even deteriorated, if that's possible."

The uneasy calm that now hangs over Soweto can be easily broken. Life under apartheid makes that inevitable. □

China's Reentry Into the World Market

By Paul Grisafi

After the breaking of special ties between China and the Soviet Union, Chinese foreign trade went through a long period of stagnation. Exports and imports fluctuated annually at around \$2 billion between 1959 and 1971. Capitalist trading partners (Hong Kong and the imperialist countries) gradually replaced the USSR and other workers states allied with it.

The resumption of foreign trade dates from 1972, which proves that during the "cultural revolution," Maoist doctrine was not one of autarky, but represented at best an attempt to theoretically justify this fact.

From 1972 to 1977, Chinese imports and exports went from \$2 billion to \$6 billion. Apart from trade with Hong Kong—which partly consists of trade in reexports—the principal capitalist suppliers of the People's Republic of China were Japan, West Germany, and France. In 1976, the major imports were iron and steel (\$1.2 billion), machines and transportation vehicles (\$1.15 billion), chemical products (\$400 million), and wheat (\$330 million, bought mainly from Canada, Australia, and the U.S.). The major Chinese exports to the imperialist countries were textiles (\$630 million), oil (\$570 million), foodstuffs and animal products (\$500 million), and clothing (\$180 million).

Up to 1978, the Chinese regime followed the rule of not acquiring debts to the capitalist countries. Thus, the volume of imports was determined by that of exports, at least on an average yearly basis. This has been called a sawtooth pattern, with balance-of-trade deficits for one or two years being wiped out by a net regression of imports in the following years.

For example, in trade between China

and France, French exports went from 400 million francs in 1973 to 770 million in 1974, 1.6 billion in 1975, and the same figure in 1976. These two years ended in a huge trade deficit for the Chinese totaling more than a billion francs. Chinese imports from France then fell to 470 million francs in 1977, and to 580 million francs in the first eight months of 1978, which made it possible to wipe out 60 percent of the deficit from the two previous years.

The "big turn" of 1978 was the decision by the Hua/Teng regime to abandon the principle of nonindebtedness to the imperialists. From now on, the Chinese bureaucracy not only accepts credits from the imperialists, but actively solicits them. It even accepts the principle of joint ventures with imperialist corporations. Fantastic figures have been mentioned in this connection. According to the December 12, 1978, *International Herald Tribune*, the Hua/Teng regime's goal is to obtain \$100 billion worth of investments by imperialist firms in People's China by 1985. Special laws dealing with "foreign companies," the buying out of foreign shares over time, and patents are reportedly being drafted to make it easier to carry out these ambitious objectives.

These exorbitant figures are not the only ones that have been reported lately in the bourgeois press. The figure of \$350 billion worth of Western exports over a ten-year period has been mentioned. *The Economist*, in its October 14, 1978, issue, talked about imperialist exports reaching a level of \$30 billion to \$40 billion a year from 1985 onward. In the areas of both joint ventures and current exports, a whole series of grandiose projects has been dis-

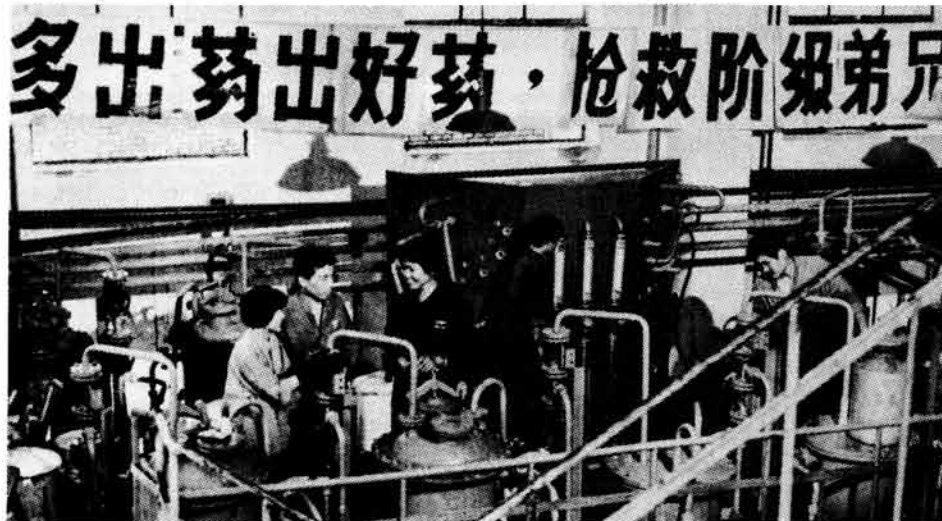
cussed, the most important of which are these:

- New coal-mining complexes to be built in Hopeh and Anhwei by a West German consortium, at a cost of more than \$4 billion.
- Three coal mines to be constructed by the British National Coal Board for half a billion dollars.
- A steel refinery to be built near Shanghai by the Japanese concern Nippon Steel, at a cost of more than \$3 billion (in addition to a tube factory to be built by Sumitomo Metal for \$500 million).
- A half-dozen chemical and petrochemical complexes to be built by Japanese firms (although the British and West Germans are already competing with these projects!) at a total cost of about \$500 million.
- Plans for building a tractor plant, a foundry, and an electricity-generating plant by Italian companies such as FIAT, SNAM-Progetti, and GIIEE, for a total value of \$1 billion.
- A new steel-refining complex to be built by a West German consortium headed by Schloemann-Siemag, for a total value of more than \$10 billion.
- The Franco-Chinese agreement, which provides for Peking to purchase two nuclear-power plants whose total value is close to \$2.5 billion.
- The biggest project is said to consist of exploring for new oilfields in China and starting to develop them. This is a project for which Japanese, French, British, and American firms have already submitted bids, and which will probably be shared by several different consortiums. *Business Week*, in its October 30, 1978, issue, mentions a figure of \$50 billion to be invested in China, a considerable portion of which is supposed to come from the imperialists.

The least that can be said about this project is that the banner headline in the December 8, 1978, *Le Monde* (which read, "After Mr. Deniau's visit to China: Big contracts . . . but doubts remain") hit the nail on the head. The imperialist bourgeoisie's excitement at the prospect of seeing the enormous market of "800 million Chinese" opened up to them, especially on the eve of a new economic recession, and at a time when protectionism and a tendency toward stagnation characterize the other sectors of the world market, is understandable enough.

The "doubts" in question have to do with four aspects of the current negotiations.

The first is that the Chinese leaders are skillful negotiators, and are striving to elicit counterproposals to each of the offers made by this or that imperialist power,



Der Spiegel

The big push is to modernize Chinese industry.

this or that private corporation, thus taking advantage of the competition among them to lower the cost of each project as much as possible.

Second, China's export possibilities, even in "privileged" sectors like oil, and, in the future, coal and mineral ores, are uncertain and so far unconfirmed. A big controversy is developing among experts, for example, as to the quantity, quality, and medium-term prospects of Chinese oil production (see the detailed study of this in the October 13, 1978, *Neue Zürcher Zeitung*). The development of offshore oilfields is closely tied to the transfer of American technology, and has political strings attached. It is uncertain just when the coal and mineral ores produced with the help of imperialist credits will be available for export.

Furthermore, as the *Le Monde* article points out, "massive purchases of raw materials from China would risk upsetting worldwide trade deals. For example, suppose that France has to buy iron ore to wangle a contract with China. Would it then have to repair the injury done to Mauritania by increasing its foreign aid to that country?"

Third, a considerable portion of imperialist credits are supposed to be used by China to obtain military equipment. The October 6, 1978, *Far Eastern Economic Review* has a list, which is probably not exhaustive, of the Chinese shopping list in this area: Italian-West German electronic guidance systems for tanks, British and West German warplanes, French helicopters, West German tanks, and so on. However, pressure from the Kremlin aimed at obstructing or delaying such projects—and the threat of drastic reductions in Soviet imports from countries that do not take its wishes into account—has had its effects, Washington is also known to have reservations about France's supplying nuclear-power installations to China.

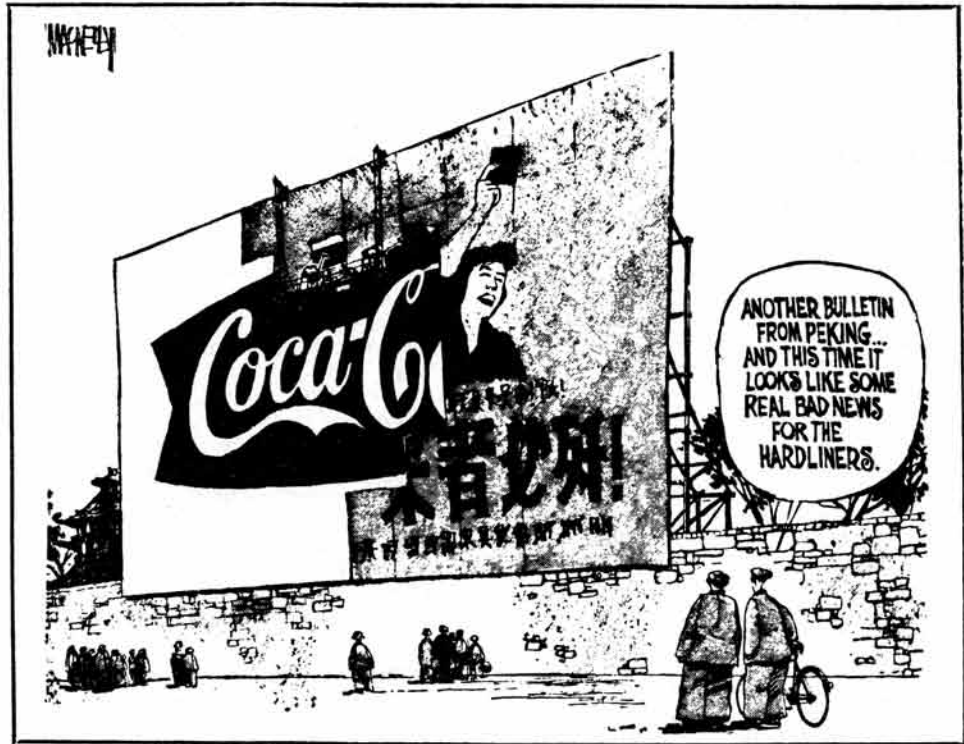
Fourth—and this is by far the most important—is the need to finance all these projects over a fairly long interim period, using Western credits. However, the volume of these credits is such that it could raise problems both for the imperialists and for the Chinese bureaucracy.

The expansion of credit to some semicolonial and dependent countries, as well as to Eastern Europe, has already created problems for the international banking system. To create a third "receptacle" where tens of billions worth of loans that are not immediately repayable would pile up—which would typically be fed by short-

Peking Hires Pierre Cardin

French designer Pierre Cardin has been employed as a fashion consultant to the Chinese government's textile-trade agency, according to a report in the January 8 *New York Times*.

Interviewed in Paris, Cardin said that the quality of China's textile raw materials, the skill of its labor force, and its low wage scale made the country's competitive position "tremendous."



MacNelly/New York Daily News

term deposits such as "petrodollars," or, in the future, "petrodeutschemarks" or "petro-ECUs"—is to further increase the vulnerability of an international credit system that is already badly unbalanced.

From the standpoint of the Chinese bureaucracy, though it is just as pragmatic and opportunist as that of the Kremlin, there is nevertheless a limit it is not prepared to cross in making concessions and becoming dependent on the imperialists, a limit that is bound up with its very social nature. It is a question of a bureaucratic caste whose privileges and power are based on collective ownership of the means of production and the abolition of the capitalist mode of production.

To believe that the bureaucracy would be prepared to "reintegrate" the Chinese economy into the world market, to the point where it would lose control of the economic dynamic, in other words, where the law of value would subsequently determine developmental priorities, is to forget this social nature and believe in the Maoist myth of a "cold" restoration of capitalism. It is to believe in the preeminence of a mythical "restorationist faction" at the head of the Chinese bureaucracy.

In our opinion, these are chimeras that will be proven as such, as they were proven to be during the debates in the West over the Liberman reforms of the Soviet economy, or the spectacular growth of East-West trade at the start of the 1974-75 recession.

For all these reasons, the scope of development of Chinese foreign trade will remain below the feverish extrapolations of imperialist governments and business circles, which are in search of better prospects in face of the relative stagnation of their traditional markets.

This does not mean, of course, that only small potatoes are involved. This unexpected opening will have a particularly big impact on the Japanese economy, which is in the best position to take advantage of it. It is comparable to West German imperialism's business operations with the Eastern European countries in the 1970s, and may go beyond it in scope.

But even in the case of Japan, to speak of a new "big alliance," of a new "Sino-Japanese coprosperity sphere," to hold out the prospect of trade deals of up to \$100 billion in the 1985-1990 period (*Far Eastern Economic Review*, November 3, 1978) as the Japanese minister Komoto has done, is premature and excessive. Komoto obviously does not know what the international situation, or even the Japanese situation, will be in 1985, let alone 1990!

As for the changes that this reorientation of the Chinese economy is bringing, and will bring, in the management and organization of the nationalized Chinese industries themselves, they partly recall the changes introduced in the USSR after the first Five-Year Plan (such as the reintroduction of the profit system in individual enterprises, the extension of the collective contract system, and the spread of piecework). They also partly recall the changes introduced in Hungary, Poland, and Romania under the pressure of a sudden expansion of foreign trade with the West.

In this connection, the Chinese bureaucracy's use of "self-management" jargon may hold some surprises. As in Romania, this has a very different meaning than it has in Yugoslavia, to say nothing of the meaning it has among the far left in France. But this merits a separate and more detailed investigation. □

AROUND THE WORLD

21 Activists 'Banned' in South Africa

In less than two months in late 1978, the South African regime of Prime Minister P.W. Botha issued new banning orders against twenty-one political dissidents, including Kenneth Hlaku Rachidi, a former president of the outlawed Black People's Convention (BPC).

The banning orders, which differ from person to person, prohibit the banned individual from preparing anything for publication or from being quoted in the press, restrict movement, and limit whom he or she can see. No two banned persons can see each other. In general, banning orders obstruct any open political activities.

According to the South African Institute of Race Relations, there are now 167 persons in South Africa under banning orders, most of which run for five years.

Besides Rachidi, other Black leaders that the regime has recently moved to silence are Thandisizwe Mazibuko, former secretary general of the BPC; Aubrey Mokoena, a former official of the Black Community Programmes; Sadique Variava, formerly of the BPC and the South African Students Organisation (SASO); Diliza Mji, a former president of SASO; and Juby Mayet, a staff writer for the Black newspaper, the *Voice*.

Mexican CP Hails Visit by Pope

Pope John Paul II is expected to become a lawbreaker when he visits Mexico in late January to preside over the third conference of Latin American bishops in Puebla.

The Catholic church was a key institution of Spanish colonial rule until Mexico won its independence in 1821. Later the church was involved in various conspiracies against republican governments. As a result, strict anticlerical laws were adopted—both in the nineteenth century and again during a new wave of struggle against the church after the Mexican revolution of 1910.

Among other things, these laws prohibit priests from appearing in clerical garb in public or holding masses in any building other than a church. Nonetheless, the pope plans to travel in an open car from Mexico City to Puebla, and religious organizations are planning to hold public services and blessings in big sports stadiums in both cities.

The law also forbids foreign priests from practicing in Mexico.



JOHN PAUL II

Because the Mexican government has never established diplomatic relations with the Vatican, President José López Portillo reportedly has no plans to greet the pope at the airport when he arrives, but has created a special post—"personal representative to the pope"—and has appointed a top banker to fill it.

One group that will be among John Paul's welcoming contingent, however, is the Mexican Communist Party. The CP recently called for "full political rights" for priests and has joined with various right-wing groups to demand diplomatic recognition of the Vatican.

Ecuador Junta Faces Murder Scandal

Interior Minister Gen. Bolívar Jarrín was abruptly dismissed by Ecuador's military junta on December 20, along with the head of the national police force and a top Guayaquil detective.

The three had reportedly been blocking an investigation into the assassination of former presidential candidate Abdón Calderón Muñoz. Calderón, a right-wing economist and leader of the small party known as the Radical Alfarista Front (FRA), was gunned down in Guayaquil on November 29 by two men who sped away on a motorcycle. He died in a Miami hospital on December 9.

Shortly before Calderón's death, members of his family announced that with the help of FRA leaders they had detained a suspect in the case—Guillermo Méndez, a leader of the right-wing terror gang "Atala" that has operated at the University of Guayaquil.

Méndez was then arrested by the police on evidence that he had admitted a role in the Calderón shooting to a friend. Méndez had reportedly claimed that he was a secret police agent and that some "very important people" were involved in the assassination plot.

More arrests came in subsequent weeks, and on December 27 General Jarrín's replacement as interior minister admitted that another suspect, Humberto Rivera Ortiz, was indeed a member of the political police. The minister also said that the head of the hit squad was another member of the Atala gang once employed by the Guayaquil municipal government.

The military regime's story is that Rivera was an "infiltrator" planted in the police force by an "extremist" group and that the cops themselves had nothing to do with Calderón's murder.

The junta issued a statement January 7 vowing "to reach a total clarification of this contemptible act." It denounced "ten-



dentious insinuations that distort the truth, confound public opinion, and seek to impugn the honor of the military institution and its high command."

Ecuador's generals have promised to hand power over to a civilian regime following general elections in April. With their rule further tarnished by the revelations surrounding the Calderón assassination, they seem to be anxious to get the "transition" over with.

Jamaicans Protest Fuel Price Hike

Prime Minister Michael Manley mobilized troops and banned public meetings throughout Jamaica on January 11 in an effort to end three days of protests against an abrupt increase in the price of gasoline and other petroleum products.



MANLEY

The wave of strikes and demonstrations began January 8 as protesters took to the streets in Kingston, the capital, chanting "The poor can't take no more!"

By January 10, schools, banks, and businesses were closing down and telephone service was slowed. The Associated Press reported from Kingston that "all economic activity in the country was grinding to a halt." Workers at the bauxite mines—a key sector of the Jamaican economy—walked off their jobs to join the protests, as did light and power workers in Kingston.

At least three persons were killed by police during the protests. Three cops were also reportedly killed when a Kingston police station was attacked.

Manley imposed a thirteen-cent increase in gasoline prices to \$1.99 an imperial gallon, following pressure from the International Monetary Fund for continued austerity. He called the demonstrations "fascist politics" by political opponents seeking to "mash up the country."

West German Steel Settlement

In results announced January 11 steelworkers approved by a narrow 5 to 4 margin an agreement with employers to end the first steel strike in West Germany in fifty years.

The new contract, covering 208,000 steelworkers in the Ruhr, provides for a 4 percent wage increase over the next fifteen months, a minimum of six weeks vacation by 1982, and extra days off for about half the membership—night shift workers and those over the age of fifty.

Steelworkers had been demanding a thirty-five-hour week as a step to ease unemployment in the industry. The employers, however, were adamant in opposing any official reduction in hours from the present forty-hour week, fearing that such a settlement would become a precedent for other workers.

The strike lasted a month and a half and idled 100,000 workers, 30,000 of whom were victims of lockouts by the employers.

The agreement was ratified initially January 7 by the steelworkers union wage bargaining council by a vote of 87 to 38. A "no" vote of over 75% of the membership would have been required for the strike to continue.

The demand for a thirty-five-hour week came about as the result of heavy pressure by the union ranks on the leadership.

Under the provisions of the agreement, real work time is in fact immediately being reduced to thirty-nine hours, although the contract language still maintains the fiction of the forty-hour week.

Rebel Offensive Claimed in Afghanistan

A spokesman in Pakistan for the exile National Front for the Rescue of Afghanistan claimed January 10 that 300 Muslim tribesmen had overrun an Afghan army base at Sheikhuri in the eastern province of Kunar, killing sixty government troops.

The claim came on the heels of a January 7 Reuters dispatch from Pakistan that thousands of guerrillas were mounting a drive against the government of President Noor Mohammed Taraki, who came to power in a coup last April.

The Islamic rebels are said to have concentrated their attacks near the Pakistan border for several months.

According to Reuters, members of two dissident political parties have entered Pakistan to establish their headquarters in the town of Peshawar. The parties are seeking aid from Western embassies, claiming that the pro-Soviet regime of Taraki is a threat to Western interests in the Middle East and Asia.

Ngugi Released

Ngugi wa Thiong'o, Kenya's most prominent writer, was released along with twenty-five other political prisoners December 12.

The announcement was made during President Daniel arap Moi's independence day speech in Nairobi, and was greeted with an enormous cheer from the tens of thousands of persons in the audience. He said that all political detainees had been released.

Three of the political prisoners had been members of Parliament opposed to the late president, Jomo Kenyatta. One of



NGUGI

them, Wasonga Sijeyo, had been in detention since 1969.

Ngugi wa Thiong'o was arrested December 31, 1978, as a result of his writings, which are very critical of the Kenyan capitalist class and of the country's imperialist exploiters. His detention spurred an international defense campaign on his behalf.

In announcing the releases, however, Moi stressed that the legislation permitting detention without trial would remain in force. He warned that "the Government will not hesitate in taking immediate and firm action against anyone whose activities threaten our peace, unity and stability."

Palestinians Hail Iran Opposition

Yassir Arafat told a Palestinian audience on January 7 that 1979 would see a resurgence of the Palestinian struggle. Pointing to the strength of the movement opposing the shah of Iran, who is a major prop of U.S. policy in the Middle East, Arafat told the crowd: "We and our allies, the Iranian people, can tell [U.S. National Security Adviser] Brzezinski: 'Bye-bye to American interests in the most sensitive part of this region.'" This was an allusion to Brzezinski's 1977 comment that strategists could now say "good-bye to the PLO."



ARAFAT

According to the January 9 *New York Times*, press reports in Beirut stated that the PLO had sent envoys to France to meet with Ayatollah Khomeini and offered him all the assistance "within the PLO's capability" to help in the struggle to overthrow the shah. Khomeini, according to the reports, assured the Palestinians of his support for their struggle.

Poland Rejects Arms Spending Hike

Despite Soviet requests for its Warsaw Pact allies to substantially increase their arms spending this year, the Polish government has passed an arms budget that is virtually identical with the one for 1978.

In doing this Poland joins Romania, which rejected a rise in arms spending earlier. The Kremlin had urged its allies to match this year's projected NATO increase of 3 percent over inflation.

"For us, defense is a very big burden," a Polish foreign ministry official was quoted as saying in the January 9 *New York Times*. He added that "sometimes I think it is one of the aims of the West to increase the arms race to harm our economic and social development. . . ."

Egyptian Rulers 'Hold Line' on Food Prices

Despite strong pressure from the International Monetary Fund to do away with price subsidies on food and other necessi-

ties as a prerequisite for receiving further loans, the Egyptian government has announced that it will continue to subsidize food prices for another year, at a cost of \$1.5 billion.



SADAT

The Sadat regime did agree to withdraw these subsidies in January 1977, but was forced to restore them after thousands of people demonstrated in the streets of Cairo and Alexandria for two days, with substantial loss of life in confrontations with the authorities.

Prices on a number of other items, such as beer, soft drinks, cigarettes, gasoline, taxi fares, and color televisions are now to be raised substantially, however.

Sadat's 1979 budget also projects spending cuts of 5 percent, and new measures are being planned to deal with tax evaders.

These moves are aimed at convincing Egypt's creditors to respond to President Sadat's recent request for \$3 billion a year in loans for the next five years.

The impasse in the negotiations for a peace treaty with Israel have obviously had an effect on forcing Sadat to retain the subsidies. He had hoped that a peace treaty, which he claimed would lead to a solution to Egypt's economic problems, would be signed in December. This would have allowed Sadat to risk enacting these price increases while telling the Egyptian people that things would soon be getting better. Without a treaty he dared not take the risk.

British Truckers Strike

A truck drivers' strike that began on January 4 in Scotland spread to England and Northern Ireland, tying up industrial deliveries, food, and oil supplies.

On January 11, the Transport and General Workers Union gave the strike its official sanction, expanding the walkout to 60,000 drivers.

The strikers are asking for a weekly base pay of £65 (\$130) for a thirty-five hour week. The employers are offering £60 (\$120) for a forty-hour week. Truckers are now paid £53 (\$106) for forty hours.

Striking drivers of Esso and Shell tank trucks settled their strike on January 8, accepting a 15% wage increase—far higher than the Labour government's 5% guideline. The 1,000 drivers of Texaco tank trucks rejected the offer, however, and have been picketing the facilities from which other companies get their supplies. Drivers for other companies have refused to cross the Texaco workers' picket lines.

Most maritime trade was also cut as striking truckers picketed all the country's major ports, stopping trucks from bringing in or taking out cargo.

In Northern Ireland, a state of emergency has been declared, enabling the British government to rule by decree and use troops to transport strikebound goods.

Costa Rican Community Activists Win Total Victory

By Sara Santiago

PUERTO LIMON, Costa Rica—Eight activists arrested during demonstrations in the Limoncito barrio in November 1977 were tried here on December 19 and acquitted on all the charges against them.

The 1977 protests demanded potable water, sewage lines, improvements in the electric system, and other basic services. For twelve years the authorities of Puerto Limón had denied such services to the poor community of Limoncito.

On November 23, 1977, Limoncito residents erected barricades across the main highway between Puerto Limón and the capital, San José, and blocked the rail line joining the banana plantations with the Puerto Limón docks. Late in the day, the police brutally attacked the demonstrators, beating even children and pregnant women.

Eight persons were arrested. Among them were three leaders of the Limoncito Community Development Association and two leaders of the Socialist Workers Organization (OST)¹—Alejandra Calderón and then-presidential candidate Carlos Coronado. Two of the Limoncito leaders arrested were municipal candidates of the Limón Authentic Party (PAL), which is based mainly among the Black population of Limón Province.²

The eight were accused of "riot, aggravated assault, instigation of a riot, and intimidation"—charges that carry jail terms of four to twenty years. They were released after a series of protests in December 1977, pending the trial that just took place—more than a year later.

The regime prepared a thoroughgoing

frame-up based on false testimony by the police, who were supposed to claim they had been attacked by the accused or by other protesters acting on the orders of the accused.



Limoncito women and children demonstrate in courthouse.

The trial aroused widespread interest in Limoncito and throughout Limón Province. Thousands of leaflets were distributed by the OST and the PAL in the weeks leading up to the trial. The defense committee held demonstrations and rallies in support of the accused. The national news media began to pay attention.

On December 19—a workday—a large crowd was pressing at the door of the Court of Justice building in Puerto Limón. The authorities at first would allow no more than thirty persons into the courtroom, but the judges were soon obliged to open the doors and allow the public to follow the trial from outside.

Surprising testimony by the prosecution's first witness set the tone for what was to follow. Lieut. Bernardo Granados—perhaps succumbing to an impulse of personal honesty—immediately denied all of his prior statements and absolved the accused. The prosecutor and the judges tried in vain to get a statement prejudicial to the defendants from this witness. A feeling of satisfaction and expectancy swept through the spectators. Granados was summarily arrested for giving false testimony and left the courtroom under guard.

Granados, one of the officers in charge of the repression in Limoncito, was the prosecution's star witness. So the govern-

ment's case was disintegrating rapidly.

The prosecutor next tried to show that Calderón, Coronado, and Sherman León had attacked the police. But his witnesses got tangled up in contradictions, and he could present no evidence that the cops had suffered blows or maltreatment of any kind. At the same time, a deep impression was made by medical certificates verifying the police beatings received by defendants Calderón, Reynaldo Sánchez, and Manuel Ramírez.

The defense also presented a television videotape of the events, in which police brutality was evident.

Finally the prosecutor presented his closing arguments—a total retreat. He withdrew the charges of "riot, aggression, instigation, and intimidation," and presented instead a "contravention" against Calderón, Coronado, and León for "resisting authority." That charge carried only a simple fine and a maximum twenty-five-day jail sentence.

The defense attorney demanded the complete acquittal of all the accused, which the judges quickly granted. They excused the defendants from paying court costs, and ordered the release of Lieutenant Granados.

Joy swept the spectators. They left the courtroom with the defendants, singing the "International." A march to the central market was rapidly organized and a

The regime prepared a thoroughgoing frame-up . . .

street rally was held. Rail and dock workers surrounded the OST and PAL leaders and congratulated them on their victory.

Inability to confront the Limoncito struggle head-on marks a setback for the bosses and the government. A mood of combativity is growing in Limoncito, where the community's problems are far from resolved. Throughout the country, the workers see the trial's results as a big victory against the Carazo regime. This will help build their confidence as they take on the government's policies of rising living costs and wage controls. □

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¹ A sympathizing organization of the Fourth International.

² Black workers were brought to Costa Rica from Jamaica and elsewhere in the late 1800s to solve a labor shortage on the banana plantations in the eastern part of the country. At present, Blacks constitute 2 percent of the Costa Rican population. They face racial oppression as well as discrimination based on the fact that most have English as their first language in a predominantly Spanish-speaking country.