Andean Report by Luis Vásquez Medina

No stopping Peru's year-end crisis

President Fujimori is motoring along with the IMF model, even as it careens toward a crash.

The announcement of the trade deficit for the first half of 1995, which by reaching $1.099 billion surpassed the deficit for all of 1994, has redoubled fears that a collapse of the foreign accounts of Peru will sink the International Monetary Fund (IMF) model being imposed on the country, by no later than the end of this year. The National Society of Exporters, at a press conference on Aug. 28, predicted that by year's end, the trade deficit will reach the historic level of $2.7 billion. The general director of the society admitted to this author that if the government does not succeed in selling—at a very good price—the State-owned oil company PetroPeru, then the crisis of the external sector will choke the Peruvian economy before 1995 is out.

However, in the face of the imminent crisis of his model of economic "opening," Alberto Fujimori's government has only dared to prescribe more of the same "medicine" which has been killing the sick Peruvian economy. As appears from Mr. Fujimori's second inaugural address and recent laws passed by the Peruvian Executive, the government is trying to deal with the risk of a Mexican-style crisis in Peru by applying, in accord with the latest IMF advice, the so-called Chilean model: that of a raw materials exporting economy, financed mainly by a system of forced internal savings, which would generate enough currency to be able to comply with the growing payments on foreign debt.

In his recent inaugural address, President Fujimori said that in his second term, one of his priorities will be to convert the system of Private Pension Funds into a forced savings mechanism as in Chile. The land law promulgated at the end of July goes in the same direction. It will permit the alienation and mortgaging of all the farmland in the country, with the explicit intention of converting it to food-export agriculture.

This is a monumental folly, when we are talking about the worst-fed country on the South American continent, and we are in the middle of one of the worst food crises in history. The same "Chilean" orientation is seen in the recently passed law for labor "flexibility," which goes so far as to allow instant firing. The government has wanted to set the pattern, by imposing a system of "evaluation" every six months, which implies an oral or written examination. This kind of labor "flexibility" is not only ruining labor productivity in this sector, but has already caused numerous deaths, including suicides, among Peruvian public workers.

The Peruvian minister of economics, Jorge Camet, in his recent presentation to the Congress, responding to ever more intense demands from the business and trade union layers of Peru, said that the "crystallization" of foreign investments in mining will make Peruvian exports rise, and this will solve all the country's current accounts woes. By his reckoning, these exports will reach $8 billion within a few years, and thus, the minister claims, the specter of the "tequila effect"—the risk of a Mexican-style crash—will go away.

Such predictions are nothing but hot air if the following factors are taken into account. First, the so-called foreign investments in Peruvian mining are to a large extent on paper, purely movements on the stock markets by major international speculators like Newmont Mining, George Soros, Marc Rich, Placer Dome, and Rio Tinto Zinc. The only objective is to take over the principal titles of the mines and the rights to *existing* mining deposits in Peru. Second, the effective investments which are being made into Peruvian mining will take at least four years on average to begin to increase national mining production.

Moreover, because of the privatization process, national assets and patrimony are practically being given away to foreign speculators. For example, on Aug. 25 the Peruvian government sold the concession of the important gold prospectus of San Antonio de Poto for the paltry sum of $5 million. On May 6, 1992, the London daily *Financial Times* had said that this mine had "vast deposits . . . the biggest in Peru," and that its selling price was expected to be over $22 million.

Perhaps because within the Fujimori government there is a deep-down hunch that its economic model is about to blow up, the blame is being thrown on alleged "overpopulation." In the words of the Archbishop of Ayacucho, Monsignor Cipriani, the government, out of "desperation," has started to throw up the smokescreen of "explosive" population growth, to explain what is coming. After all, as Bishops Artale and Garaycoa have indicated, in their respective dioceses of Huanuco and Tacna, the International Monetary Fund finds it far more convenient to blame poverty on population growth than on foreign debt. So far, President Fujimori is playing their game.