

Fujimori decrees 'shock' for Peru

by Peter Rush

Far outstripping the most pessimistic expectations, on Aug. 8 Peruvian President Alberto Fujimori's new government decreed a collection of brutal economic "shock" measures that place in jeopardy the existence of thousands if not millions of impoverished Peruvians. The situation leading up to the announcement was already highly unstable, with numerous strikes, a march on Aug. 7 of thousands of public employees, and scattered looting of food stores. With the new set of measures, the country may become ungovernable. In anticipation of a violent popular reaction, most of the country had been militarized the day before Prime Minister Juan Carlos Hurtado Miller, who is also finance minister, announced the package.

Same program as Vargas Llosa

Fujimori's program is precisely what his opponent in the presidential race, Mario Vargas Llosa, called for, and what the Peruvian voters believed they had rejected when they elected Fujimori. Three weeks ago, a special United Nations committee of international bankers, including Peruvian oligarch Carlos Rodríguez Pastor, a former economics minister currently with Wells Fargo Bank, ostensibly broke with Fujimori because he supposedly refused to go with a full "shock" program.

Within a matter of weeks, however, Fujimori's economics team—made up largely of political unknowns—will be thoroughly discredited by the announced measures. The stage will then be set for Rodríguez Pastor and his friends to move in and use their ties to the international banking community to arrange for some token aid and administer a long-term austerity program.

In a televised speech Aug. 8, Hurtado Miller announced measures that amount to the instantaneous freeing of virtually everything in the heretofore heavily regulated economy. The national currency, the inti, which has lost more than half its value in just the week preceding the announcement, will be allowed to float freely, putting the economy at the mercy of speculators. Trade is to be liberalized overnight, with the elimination of all import controls and a sharp reduction in the tariff levels that protect domestic industries and products. Since reserves are negative, the only source for dollars with which to import will be drug dollars, which will be used to import cheap consumer goods, in turn driving domestic manufacturers out of business, and exacerbating the already very high unemployment.

All price controls were also lifted, and the prices of basic foodstuffs zoomed up 500-700% by the next morning. Staples such as rice and sugar were up 700%, and cooking gas was up 25-fold. The price of gasoline increased 30-fold, to \$1.30 a gallon, and bus and taxi drivers refused to work, since the fare they could charge had not been increased to compensate. On top of this, all food subsidies were eliminated, and, despite much talk in the previous week about how the government would ensure that the poorest strata of the population would be provided direct assistance to enable them to survive the economic package, nothing significant has yet been done in this direction. In the face of this, wages were not increased, and workers were merely promised an unspecified "bonus" that will not begin to compensate for the price increases.

Businesses fared little better under the new measures. They were hit with enormous tax increases, which will come just as they are about to suffer both a collapse in Peruvians' purchasing power, and competition from cheap imports. Interest rates were also freed, and will certainly soar to match or exceed inflation, which will make borrowing virtually impossible.

On top of a wave of firings set to ensue in the private sector, the government also announced that there will soon be very widespread firings in the public sector. The decision to fire a large proportion of public workers is a outright betrayal, since Fujimori had promised he would not so.

The genocide to come

Peruvians are in a state of shock in the wake of Hurtado Miller's announcement. The newspaper *El Nacional* on Aug. 9 called the measures "inhuman", and added that no one had voted for them. The leftist paper *Página Libre* had similar coverage.

Bernardino Céspedes, head of the CTP trade union federation close to the APRA party, said that the measures were "criminal" and would "incite to subversion." He added that the people now have the right to resort to insurgency. The leftist-run CGTP union confederation has called for a general strike.

Looting broke out Aug. 9 in parts of several departments (Peru's equivalent to provinces), and in certain districts of the capital Lima, but the Army, Navy, and police had been heavily deployed the night before to minimize the expected immediate popular reaction.

The effect of these measures can only be immediate, widespread death for thousands and misery for millions of Peruvians. The nation has no remaining food reserves, the government has negative foreign reserves which makes importing food impossible, and a drought has reduced domestic food production by half. Sixty percent of the population suffers from malnutrition, 7 million people live in dire poverty, and close to 3 million are so marginalized that their very survival is in jeopardy.