

Andean Report by Manuel Hidalgo

Resistance to IMF grows in Peru

Businessmen are stepping forward to denounce the IMF and the failure of its "model" in Mexico.

The new "letter of intent" that the International Monetary Fund (IMF) seeks to impose on Peru has triggered such resistance inside the country, that even an important sector of the business community is now in open rebellion against that institution. In its May 16 editorial, the business daily *Síntesis* told President Alberto Fujimori that "there is no hurry for Peru to sign the letter of intent," because the measures the IMF would impose only "are advantageous to the IMF, which at the present time has lost face because of the bankruptcy of its model in Mexico. We must not forget that the IMF's objective is a cheap dollar and the weakening of the country's industrial capabilities."

Inside the government, there are also ongoing battles on this question, and according to several newspaper accounts, changes in the cabinet are imminent as a result.

After 20 years of genocidal austerity imposed by the Fund, a new "economic package" forced on Peru from that quarter could prove the death blow to the economy. The IMF is demanding, among other things, an increase in the general sales tax from 18% to 21%, an increase in the price of oil, further reductions in tariffs, cutbacks in investment in public works, a hike in interest rates, and further shrinkage in the money supply.

The argument being offered by the IMF mission in Peru is that, because the Peruvian Gross National Product grew 12.7% in 1994, its economy is now "overheated" and must be "cooled off" with a 4.5% reduction in GNP growth. Should the IMF have

its way, its latest austerity measures would kill any hope of an economic recovery after 20 years of enforced austerity and a narco-terrorist war that was on the verge of destroying the nation.

This time, however, the controlled environment (in which any attempted criticism of the Fund has been forbidden as a thought-crime) has been shattered. The only other voice in the past five years which has dared take on the IMF is *Solidaridad Iberoamericana*, the newspaper of the Ibero-American Solidarity Movement.

In its May 17 editorial, *Síntesis* said that the IMF's demands "deny us the possibility of industrial development. All of its measures are dedicated to continuing to cut off opportunities to the business sector and preventing its ability to compete."

Síntesis correctly emphasized that the IMF "model" collapsed with the Mexican crisis, and now "the IMF no longer has a coherent model to apply." It said that the IMF expects a "Mexican-style" crisis in Peru, and therefore it "is concentrating on [demanding] a cool-down of the economy, along with a contraction in demand." The paper estimated that the country will reach a growth rate of 4.5% in 1995, "which will mean braking production."

Síntesis also rejected IMF pressure to sign a Brady debt reorganization plan, saying, "It is not to Peru's advantage at this time, since it would leave the government without maneuvering room against any possible imbalance in foreign exchange." Appar-

ently, *Síntesis* shares the view of U.S. economist Lyndon LaRouche, that a disintegration of the international financial markets could be imminent.

This rebellion occurs at the same time that the IMF and City of London are nervous that the Peruvian government might break with them. On April 25, leftist Mirko Lauer wrote in the daily *La República* that "it would appear that Fujimori wants to begin to free himself from aspects of the IMF-World Bank pressures. . . . The intention of the IMF and World Bank is to keep Fujimori as an asset stripper and debt collector. . . . Fujimori is no longer very committed to that role, and now, neither are a portion of the armed institutions."

Lauer said that Fujimori's decision to postpone privatization of Peru's oil and electricity monopolies immediately after his reelection "sounds like a declaration of independence from the IMF and World Bank." One week later, the London *Economist* revealed its nervousness about Fujimori in an editorial entitled "Caudillos by Consent."

Although it is not yet clear what Fujimori will do, this is the best possible moment for a complete break with the IMF. Reelected with 64.4% of the vote, Fujimori has widespread backing. With the defeat of the narco-terrorist Shining Path, Peru has peace and political stability within reach, but all this could slip through its fingers if it does not reverse the conditions of extreme poverty caused by IMF conditionalities, which will leave Peru exposed to the British strategy of creating "a new Chiapas" in Peru.

It is no surprise that attacks against Fujimori are increasing from ultraliberal sectors of the country, just as the President has announced plans to restructure his cabinet and to launch "a second era" of growth when his new term begins on July 28.