

Andean Report by Sara Madueño de Vásquez

Peru's President gets *EIR* study

In a visit with Dennis Small and Ernesto Lanata Piaggio, President Belaunde viewed the alternative to IMF looting.

The President of Peru, Fernando Belaunde Terry, met for 55 minutes on Aug. 2 in the Presidential Palace in Lima with Ernesto Lanata Piaggio, president of the Institute for Economic and Social Studies of the National Society of Industries (SNI), and Dennis Small, Ibero-American editor of *Executive Intelligence Review*.

The purpose of the visit was to present President Belaunde with the results of an econometric study which the *Executive Intelligence Review* recently completed on commission from the SNI, dealing with the Peruvian economy and its development potential through the year 2000.

Lanata and Small presented the President with a historical analysis of the contraction of the productive sectors of the Peruvian economy over the last two decades. In the last seven years in particular, since the International Monetary Fund began to dictate economic policy in the country, most major areas of agriculture and manufacturing have collapsed by upwards of 20% in physical terms. Particularly shocking is the statistic that Peru has reduced its acreage under food cultivation in the last decade by over 11%—and this in a country where per-capita caloric consumption averages well under 2,000 per day (compared to about 3,500 in the United States). Not surprisingly, infant mortality now stands at 80 per 1,000 live births, a rate exceeded only by some of the most impoverished nations of sub-Saharan Africa.

Small and Lanata recommended that the Belaunde government invest its way out of this crisis through a "bootstrap" operation which would give priority to the reactivation of the agricultural and capital goods sectors. The *EIR* study explains that growth rates of 3-5% per annum can be achieved through 1990 by productively reinvesting the capital generated in Peru in these priority areas—rather than exporting this capital as the International Monetary Fund (IMF) is currently demanding Peru do. The IMF is insisting that the country's current annual export surplus of about \$300 million be expanded immediately to the range of \$600 million per year.

Lanata and Small showed the President graphs generated by the *EIR* study, including several showing the dramatic decline of the economy which would follow from the full implementation of the IMF's recessionary demands. The IMF program would cause yet another 20% collapse of the productive sectors of the economy, except this time this would occur in scarcely three years, rather than seven.

The graphs prove conclusively that Peru would be better off by breaking with the IMF than by continuing to implement its policy recommendations—a fact of which the President took due note, while explaining to his visitors that his government's policy has been to accede to the IMF's demand for "austerity," but insisting that this be implemented "without recession." The President did not elaborate

on the specific ways in which he thought it was possible to implement "austerity without recession."

Belaunde was also briefed on the political motivation of the IMF and international creditor banks in calling for such destructive policies: their desire to keep the Third World countries as mere producers of cheap raw materials. Small also briefed President Belaunde on the present insolvency of the international banking system, explaining that this is caused principally, *not* by the Ibero-American debt, but by the bankruptcy of the postwar financial system as a whole.

When the subject of Ibero-American integration was raised as a way of solving the continent's common economic and political problems, Belaunde responded by elaborating his well-known proposal that the three great river basins of the continent be physically integrated. He emphasized the importance of such regional cooperation to develop waterways, and also for the production and distribution of electricity. Belaunde singled out the Itaipu dam, between Brazil and Paraguay, and the potential development of Lake Titicaca, between Peru and Bolivia, as good examples of regional cooperation on great infrastructure projects.

Small transmitted the personal greetings and congratulations of *EIR* founder and U.S. presidential candidate Lyndon LaRouche to President Belaunde for his work in favor of Ibero-American integration, and also for his development and use of the term "narco-terrorism" to describe this widespread problem in the Americas. Unfortunately few political leaders in Ibero-America have understood that there is a total international connection between terrorism and the drug trade. This is seen most clearly in the case of Peru's own Shining Path (Sendero Luminoso) narco-terrorists.