

# Peru: Banks win in Socialist power grab

by Gretchen Small

Alan García's nomination of the Socialist International's top man in Peru, Armando Villanueva, as his Prime Minister on May 12, signals that President García has quit all leadership of the battle to reform the international financial system, certainly for the immediate period ahead. The talk in Peru's government palace now, is of return to "orthodox economics," and dialogue with the international financial institutions.

García insists that his government will not return to International Monetary Fund surveillance, nor change its policy of limiting debt payments to 10% of export earnings. Negotiations have already begun with the World Bank, however, and García announced on May 16 that Peru will modify its economic policy, because Peru's economic crisis is occurring "in part because of our own errors."

The only error he cited was his government's former "enthusiasm for accelerated growth without paying attention to exports"—a policy hated by the IMF.

The World Bank's terms for rapprochement with international bankers were leaked by several Peruvian papers. *Expresso* reported on May 4 that the World Bank has drawn up a confidential plan to reorient Peru's economy along more "orthodox" paths, which demands that Peru open talks with the IMF by September at the latest. The government will have to pay up on all arrears to the World Bank, a sum which *Expresso* asserted reached \$282 million on April 15. García still opposes the plan, *Expresso* wrote, but a decision will have to be made by August.

On May 5, *La República* added that the World Bank is promising to extend Peru \$1.5 billion in loans over the next two years, if Peru agrees to establish a single (devalued) exchange rate, reduce its 1988 deficit by half, and raise interest rates to above inflation, according to this report. This report, too, cited August as the likely date for a cabinet change, and adoption of the policy.

A group of congressmen from the ruling APRA party began organizing for a change in policy, and cabinet. "Only a new team can delineate a different strategy for confronting the difficult economic situation," Alverto Valencia Cárdenas told *Ojo*. José Barba Caballero added that as far as he was concerned, change is needed, and "if this change means moving backward to orthodoxy, then we have to go toward it," *El Nacional* reported.

New measures will have to be "harsh and unpopular,"

Sen. Luis Alva Castro told his friends in Cuba's press agency, Prensa Latina, on May 7.

The timetable for change was moved abruptly forward, by a devastating speculative run on the inti. On May 4, the value of the free market inti fell by 27 intis to the dollar, as banks and the coca mafia's money-launderers purchased record numbers of dollars from Lima's "informal" money-exchangers. Dollars which were selling for 215 intis on May 5, were going for 230-240 on May 6.

On May 8, García announced he would change his cabinet, to attempt to restore "confidence."

There was another condition demanded by creditors, however: a lessening of the President's power. The IMF's most trusted agent in Peru, Manuel Ulloa, delivered that ultimatum on May 2, when he announced that in Peru, there is "no development, nor confidence, nor credibility. As long as these conditions are not reestablished, it will be difficult to achieve improvements in the country." That will not happen, until "the presidential will to want to do everything" himself is broken, he added.

Prime Minister Villanueva made clear from the moment of his appointment, that he intends to solve that problem. García had been an opponent of Villanueva's for at least a decade, on numerous points of principle—including Villanueva's notorious alliance with Manuel Ulloa. Villanueva has repeatedly argued that Peru's governments must "dialogue" with the Shining Path terrorists, and most recently began pushing for the government to seek an alliance with the Communist Party's United Left coalition.

Where García sought to chart an independent path for Peru, Villanueva argued that Peru must strengthen ties with Moscow, and work closely with the Socialist International. Back from his most recent visit to the socialist bloc Jan. 18, Villanueva said that "this visit . . . was indispensable to strengthen relations between a revolutionary party such as APRA, and the new socialist world that is opening the way to fulfill its objectives." I was the first to point out "the necessity of ties with the socialist and communist countries," he added.

Villanueva used the nationally broadcast cabinet swearing-in ceremony on May 16 to flaunt his most profound difference with the Catholic García. Villanueva refused to follow the traditional ceremony, and unlike the other cabinet ministers, would not kneel before the crucifix, or swear upon the Bible—a defiant act seemingly designed to confirm the reports that he is a leader of Peru's Masons.

"It seems to me to be wrong that, with my nomination as president of the Council of Ministers, anyone would claim to set me up against the President of the Republic, because of the fact that I am a strong man who knows how to say no," he told the press on May 17. "I believe that the myth that President García is a man who won't hear the word 'no' must be broken. . . . I know how to say no."

He added, that while he will be loyal to García, he also expects the President to be loyal to him.