

Peru begs from IMF, is offered 'deals'

by Peter Rush

Less than a month after Peru's economy was turned inside out by a joint attack by the International Monetary Fund and its Peruvian backers, Peru's Economics Minister Abel Salinas met with IMF head Michel Camdessus in Berlin, while reports circulated that the IMF was prepared to welcome Peru "back to the fold"—provided it paid up its \$0.5-\$1 billion backlog of arrears to the Fund.

Salinas's meeting was the first direct contact between the Peruvian government and the IMF since President Alan García took office more than three years ago, and it ended García's policy of steadfast rejection of any and all dealings with that body.

The decision to send Salinas to the annual meeting of the IMF and the World Bank on Sept. 26-29 in Berlin, was forced on the García government by a crisis that had collapsed the national currency, the inti, and sent prices skyrocketing, over the last few weeks. Once unleashed, the crisis was utilized by certain political currents in the country, including some within García's own APRA party, to argue that Peru had no choice but to fold its tent and repeal the García administration's decision not to deal with the IMF.

Lo and behold, hours after the announcement that Salinas would indeed crawl to Berlin, the inti recovered 25% of its value, many prices that had been increased up to eightfold in a few days came back down to "only" two or three times their previous level, and food began reappearing on retail shelves.

Reports coming out of Berlin have been contradictory on exactly what, if anything, Peru will be offered as the reward for its capitulation. Peru's *El Comercio*, the London *Financial Times*, and other sources all reported that a "rescue plan" for Peru is on the table, involving an arrangement whereby Peru would repay all of its arrears to the IMF. Peru would receive "bridge loans" from a number of the creditor countries, since it lacks its own resources for this payment. The *Financial Times* says that Peru owes the IMF "more than \$500 million" in arrears—and an additional \$374 million to the World Bank. The Peruvian newspaper *El Comercio* places the figure of IMF arrears alone at a whopping \$1 billion. *El Comercio* reports that Japan is prepared to kick in some or all of this \$1 billion as a bridge loan.

More detail was provided in remarks by independent Sen. Javier Silva Rueta to the *Wall Street Journal* Sept. 28, who

reported that "my friends, who are important employees of the IMF," suggested obtaining bridge loans from "our friends" to pay the debts to the IMF and World Bank. Silva said that Peru's delegation in Berlin was sounding out Japan, Canada, the United States, and Europe.

In return, Economy Minister Salinas declared that Peru was taking the decision to "reinsert ourselves" into the international financial community. Apart from his meeting with Camdessus, the *Financial Times* reported that he will meet shortly with the bank consortium led by Citibank, to which Peru owes billions in commercial debt, to "explain" Peru's new austerity package.

Is it all a swindle?

Whether, and when, Peru will see any money, is another question. The experience of Argentina and other Latin American countries with "bridge loans" is one of delays, frustration, and often broken promises. Moreover, a bridge loan only means that Peru's total debt is increased by the amount of the new loans, and Peru entered into a near moratorium on its debt payments three years ago precisely because it couldn't service its existing loans. Today Peru is even less able to resume debt service payments than it was in 1985.

Further, to "sell" the IMF, the banks, and countries like Japan and the United States on the "rescue package," requires implementing even deeper austerity, that will doom any prospects for economic recovery. The latest measures include freeing almost all prices while keeping wages frozen, and suspending all government investment projects. Already, as a result of the chaos created by the austerity measures announced several weeks ago, the Peruvian peasant federation reports that its production costs have soared five to six times overnight, while the prices they are paid have only doubled, putting Peruvian farm production in jeopardy.

The entire "package" may prove to be nothing but a cruel joke, a charade intended to ensure the obliteration of the nation of Peru. British journalist resident in Peru Nicholas Asheshov, writing in *Caretas*, reports that when asked privately, bankers merely shake their heads and say "Oh, what a pity," and that both the IMF and World Bank have no concern to aid Peru, and consider it merely a minor "bother," all of which bespeaks of duplicity toward the impoverished country.

Hoy newspaper, linked to the APRA party, ran an editorial attacking the international Social Democracy and its titular head Willy Brandt, for their support for the IMF and World Bank, showing that there is still strong residual opposition to returning to the arms of the IMF. *Hoy* states, "Hence, it is not surprising that . . . Social Democracy today assumes an ever less subtle defense of an unjust and oppressive international financial order for the Third World." This is the first time members of the APRA party have correctly identified, in print, the crucial role played by the Socialist International in undercutting Peru and García in their fight with the IMF, and in abandoning them to their present fate.