

Peru battles for survival against new terrorist assaults

by Liliana Pazos and Mark Sonnenblick

On Nov. 22, the 7 million residents of Lima, Peru, awoke to find no electricity in the capital city, or in half of the rest of the country. Shining Path terrorists had blown up electrical towers dozens of times before, but Peru's capacity to respond has been so worn down, that this time it took a week before power was fully restored. A few hours later, murky water with a foul stench started pouring from the faucets. Word spread that the terrorists had broken a sewer into the water system. Radio messages by local authorities urging people to boil their water only served to intensify the shock.

"They want to kill us," people said.

The aim of November's terrorist upsurge was to force President Alan García into further surrender to the Soviet-backed narco-terrorists, as well as to the International Monetary Fund's (IMF) austerity "packages" and repression. For the past 18 months, García has retreated miserably from his early reforms, which included a ceiling on foreign debt payments equal to 10% of foreign exchange earnings. With this nationalist program, García incurred the wrath of both the international bankers and the Kremlin.

With his Nov. 27 appointment of an anti-monetarist economics minister, the President has gone back on the offensive; but it may be too late for a country whose economy is virtually devastated.

The IMF shock program

The night of Shining Path's Nov. 22 assault, a stunned population listened on transistor radios by the light of kerosene lamps to Economy and Finance Minister Abel Salinas decree an "economic shock" package which raised the prices of gasoline, bus fares, rents, and utilities by 100% or more and of basic foods by 100-270%. The number of intis, Peru's national currency, it takes to buy a dollar was doubled. Salinas baldly stated that the only compensation for this hyperinflation would be a 60% increase in the minimum wage to \$48 a month and a 50% increase in the average wage. Government employees will get 40% increases.

Salinas had imposed a similar shock package on Sept. 9, also secretly drafted by the IMF. On Nov. 22, he admitted that the 60% cuts in real wages imposed then had totally failed to accomplish the ostensible purpose for such genocid-

al austerity: cutting the budget deficit. As always happens, recessionary policies reduce what the government collects from sales and income taxes.

Yet, Salinas and President García still spout the nonsense that Peru's economic crisis was caused by government food subsidies. García raised Peru's output by 7-8% yearly in 1986 and 1987, through dirigist measures to stimulate production and consumption. The result was that millions of Peruvians rose from starvation to subsistence and other millions rose from bare subsistence to adequate nutritional levels. García has been engaged in the disgusting spectacle of repudiating those accomplishments, in hopes of getting a few crumbs from the international bankers.

Peru's economy is now a disaster. Foreign currency reserves are gone, gold reserves are gone, and inflation is running at more than a 1,000% annual rate. But Salinas and García mislocated the problem and the solution. Peru's crisis does not come from García's daring to confront the IMF usury system, as his critics charge. On the contrary, it comes from other debtor countries failing to join that effort. Those who failed to fight, and left Peru isolated, are as badly off as García, who fought and then retreated.

The truth is that the Horsemen of the Apocalypse have been unleashed against the Peruvian population since Socialist International agent Armando Villanueva took over as prime minister in August and ruled in conjunction with the pro-Soviet forces. They cornered García and blocked him from fighting back against the bankers who want to make a bloody example of him.

The narco-exporter model

The IMF's Sept. 9 and Nov. 22 "packages" brought more and more economic chaos. These were followed by calls from the friends of Dope, Inc. for García to resign and let somebody the IMF likes better take over. Former Economy Minister Javier Silva Ruete, who signed the Inter-American Dialogue's proposal for "selective legalization" of narcotics, was one of the first to push for García's removal. Inter-American Dialogue staff director Peter Hakim wrote in the *Financial Times* Nov. 30 that Peru "is paying the bill" for García's efforts to buck the banks.

The international drug cartel wants a resurrection of the IMF's policies during the 1975-80 presidency of Gen. Francisco Morales Bermúdez, which opened the door to the cocaine export boom and the destruction of industry built up under the preceding nationalist military government. Morales Bermúdez, who got 4% of the vote in the 1985 elections, admitted at the end of November that he would not mind taking over as prime minister in another IMF coup. "I do not favor a coup, but a change is necessary if we are to reach 1990. . . . Otherwise we are going to live constantly between the pendulum of a coup or a civil war," he stated. The IMF wants Peru to service its \$16 billion debts by becoming one big cocaine plantation.

Peru's bankruptcy was not caused by the several hundred million dollars spent annually subsidizing food production and consumption. More than \$4 billion has been sucked out of the country in recent years through capital flight. In the month of October alone, \$140 million of the \$180 million in export income remained in foreign bank accounts, according to Congressman Freddy Ghilardi of the ruling APRA party. On Nov. 9, the president of the oligarchy's exporters' association threatened, "if a change in the exchange rate is not obtained, the problem will be much bigger and there will be greater shortages of goods than now exist."

The Sept. 9 wage-gouging package, which included a 400% increase in the price of medicine, inflamed Peru's workers and made them easy prey for communist destabilization efforts. The copper miners went on strike against wage cuts on Oct. 17, and Peru has since lost over \$300 million in income from minerals exports. Narco-terrorists have threatened to kill any miner who goes back to work.

Between the narco-capitalists and the narco-terrorists, the dollars Peru had planned to use to import food disappeared. Because of the lack of funds, 600,000 tons of food ordered was not shipped to Peru. Five ships laden with milk powder, wheat, and corn were anchored at Callao port with their goods still on board, because there were no dollars to pay freight charges.

With food imports blocked, speculators hoarded existing stockpiles, expecting to make fortunes by forcing huge price increases. Lima residents had to get on line before dawn to buy some of the meagre food quantities released daily by the government. Economy Minister Salinas claimed that his Nov. 22 price increases were to bring the hoarded food back on the market. But the hoarders wanted even more, and the endless food lines continued. Salinas had also fought to let the speculators set prices to the further detriment of the real economy, but was blocked by García. He resigned Nov. 27.

Toward a new policy?

In what observers in Lima see as an important political turn, García named Carlos Rivas Dávila as economy minister on Nov. 27. The appointment was immediately attacked by the oligarchy as "a regression," since he remained a firm

defender of García's early efforts to develop Peru and a fierce opponent of the recent backsliding toward an economy dependent on cocaine exports. The narco-capitalists charge that Rivas lacked "international connections," by which they mean the approval of the IMF and Wall Street.

But Rivas's "international connections" are to those forces working for continental integration for economic development. The Economists' Guild which he heads co-sponsored the Lima presentation of the Schiller Institute's book *Integración iberoamericana (Ibero-American Integration)*. Rivas also shared the podium with Lyndon LaRouche in Lima during an April 1987 conference in celebration of the 20th anniversary of the papal encyclical *Populorum Progressio*, and he was a member of the Peruvian delegation to an August 1988 meeting on continental integration, "Toward a Second Amphictyonic Congress," in Panama City.

Rivas has precious little room to maneuver. He comes to power in a year in which nearly every Ibero-American government will be changed. His commitment to Ibero-American integration could enable him to bring into operation food security pacts with brother countries; only through such measures can Peru finally overcome its isolation.

The pressure of economic terrorism on Rivas and García will, if anything, get worse. Business groups have called for their members to go into tax revolt. The Moscow Communist-led General Confederation of Peruvian Workers (CGTP) called a general strike for Dec. 1. Its chief, Valentín Pacho, claimed, "The strike is against the economic measures that the government has just announced." Labor Minister Orestes Rodríguez responded, "All protest is just, but paralyzing the country, without offering alternatives, will just further deepen the country's economic crisis."

Terrorism's toll

On Nov. 29, the Shining Path terrorists began a 72-hour "armed regional strike" in the jungle valleys where most of Peru's raw cocaine is produced. They proclaimed the strike to be against the new economic "package" and García's plans to use herbicides to eradicate 2,400 acres of coca bushes in the Huallaga Valley, in collaboration with the U.S. Drug Enforcement Administration. This program, called Operation Condor 8, is scheduled for December.

Starting Nov. 22, Shining Path attempted to drive the military out of the Huallaga cocaine area. At least 300 narco-terrorists ambushed a convoy on the only road up the valley, killing 22 soldiers. A few days later, the military caught up with the guerrillas, killing 100 of them. But, the terrorists then raided an air force base and destroyed a convoy of trucks carrying palm oil.

The November death toll from Shining Path's actions was close to 1,000, mostly peasants and unarmed local government officials. Almost every day, officials and APRA party activists are assassinated. Even in Lima, they have been able to launch rockets against the police station.