

Andean Report by Valerie Rush

IMF demands Peru sacrifice

Hara kiri is being demanded of García's government as an example to the Third World.

Peruvian Finance Minister Carlos Rivas Dávila has returned from a trip to Washington, D.C., where he was reportedly engaged in a "testing of the waters" with the international financial community regarding a possible return of his country to the fold of the International Monetary Fund. On Jan. 22, Minister Rivas gave a surprise 10-minute televised presentation to the nation in which he warned that the IMF was demanding a murderous shock program as payment for Peru's rebelliousness. In an interview with a Peruvian magazine the same day, President Alan García insisted that "shock" austerity was an unacceptable trauma to Peru's poor majorities.

Rivas reported that the IMF's conditionalities for Peru's re-acceptance by the world financial community included: 1) unification of the official exchange rate with the parallel dollar rate, which at present is approximately triple the highest official rate; 2) an end to all subsidies, which would cause a doubling or tripling of current exorbitant food prices; 3) an end to indexation of wages; 4) real positive interest rates; and 5) an elimination of the fiscal deficit, currently 15% of the 1988 gross domestic product.

The last, stressed Rivas, would mean massive layoffs, suspension of any school and hospital construction, the suspension of any central bank credit to the public sector throughout 1989, and the gutting of workers' purchasing power. The IMF is also demanding a symbolic \$30 million payment as a "token of good will." Peru has accumulated \$6 billion in arrears on its foreign debt payments.

While not reporting Peru's formal answer to the IMF, if any, Rivas did tell Peruvians, "We have explained that the serious crisis Peru is facing is not only economic, but social; that we live in a climate of violence and poverty, and that therefore, the application of any economic policy in the fight against inflation requires special handling, as we have been doing."

Rivas also stressed that before any IMF program could be negotiated, Peru would first need a bridge loan to cover its \$1.1 billion arrears to the Fund and the World Bank. Even should that bridge loan come through—which could take a minimum of six to eight months, said the finance minister—it would be another year before fresh funds for anything else were to come through.

The newly elected secretary general of Peru's ruling APRA party, Luis Alva Castro, declared in a televised commentary on Rivas's revelations, "Making a symbolic payment [to the IMF] is useless, without a global economic program which presupposes a national accord with which we can all agree." Alva Castro, who is a former finance minister, reminded Peruvians that in August 1986, a symbolic payment to the IMF was made, "not with certainty but with the hope of not being declared ineligible for access to IMF resources." Despite the payment, Peru was declared ineligible.

President García told an interviewer from the magazine *Panorama* Jan. 22 that while it was necessary to clean up the Peruvian economy, it had to be done "by applying correctives, and not by applying a shock program

that would be a traumatic blow to the great majorities. . . . I prefer having the deficit to the poor not eating." He did reveal, however, that an IMF mission would be visiting Peru imminently "to study the economy and propose a much tougher program than the so-called economic packages we have been implementing."

Reactions from the APRA party to the IMF's shock proposal have generally been strong. President of the Peruvian Chamber of Deputies Hector Vargas Haya declared, "What the IMF really seeks is to help its own deteriorated economy at the cost of our countries. . . . What is undeniable is that the Latin American debt, and concretely the Peruvian debt, is unpayable."

Peruvian Prime Minister Armando Villanueva also rejected a shock approach, saying, "We are not going to pay a debt with immense interest rates at the cost of the lives of our people, because in order to pay one must live . . . to be able to produce." He acknowledged that Peru has been living under wartime conditions "ever since the policy of independence regarding the demands of the International Monetary Fund was adopted."

The most outrageous defender of the IMF was senator and drug legalization advocate Javier Silva Ruete, who declared that Minister Rivas' trip to Washington was merely a "smokescreen" to "entertain" the population, since he brought with him no program as the basis for negotiating a deal. He also insisted that Rivas's report to the nation had been scripted by President García, "since officials of the international credit organizations don't use that language and don't speak of shock programs." Silva refused to respond to accusations by congressional President Vargas Haya that he was an "anti-patriot."