

## A weak Fujimori assumes power in Peru

by Peter Rush

In the midst of the worst crisis ever to face his country, Alberto Fujimori assumed the presidency of Peru in an inaugural ceremony July 28 in the capital, Lima. His inaugural speech was notable for the absence of any indication of how he intends to deal with the economic collapse, which has plunged a majority of Peruvians into abject poverty, and threatens to halt economic activity in the near future if nothing is done to change the country's course. And the cabinet he has chosen is extremely weak, being a congeries of political unknowns from both the right and the left, which no observers believe capable of surmounting the country's difficulties.

In his inaugural speech, he focused on secondary issues, such as a crackdown on corruption in government, certainly needed after five years of misrule by outgoing President Alan García and his APRA party, and a reform of a judicial system in which thousands of prisoners have spent long periods in jail awaiting their first pre-trial hearing. The closest he came to discussing the economy was to announce his intention to request emergency powers to levy new taxes to finance welfare programs to protect the poorest Peruvians from the effects of increases in prices for food and other basic commodities. He also said he wanted to reassign and retrain many public employees, in order to increase the efficiency of the state bureaucracy, rather than fire them, as is being done in Brazil.

On the biggest question of all, how to confront hyperinflation reported to have hit 93% in July, the collapse of the currency, the deep depression of industry, and the crisis of providing food to the population in the midst of a disastrous drought and no money for food imports, Fujimori merely said that elements of a program would be announced soon by Finance Minister Juan Carlos Hurtado Miller (who is also the prime minister).

Since his surprise showing in the first round of the presidential election in April, where he qualified for the runoff against ultra-monetarist Mario Vargas Llosa, Fujimori has been the subject of intense pressures from the International Monetary Fund (IMF) and its supporters inside and outside Peru to confront this crisis by a classical "shock" policy, in which all state-controlled prices are raised sharply without compensating increases in wages, interest rates are jacked high, large numbers of state employees are summarily fired,

and the public sector is rapidly "privatized."

Sources in Peru have confirmed that on the day of Fujimori's inauguration, IMF director Michel Camdessus, and U.N. Secretary General Javier Pérez de Cuéllar, a Peruvian, both spoke to the new President to pressure him to announce just such a "shock" program, complete with price increases of 500% or more. This advice was similar to that proffered several weeks ago by a special "Informal Committee" of supposed "notables" assembled by Pérez de Cuéllar in June. On the committee were Wells Fargo banker and former Peruvian Finance Minister Carlos Rodríguez Pastor, and top Mexican banker Jesús Silva Herzog, among others. The committee disbanded two weeks ago in a huff after Fujimori rejected their demand to be entrusted with naming at least eight members of Fujimori's cabinet plus the head of the Central Bank.

### Weak cabinet, military unrest

All commentators have observed that Fujimori appointed an extraordinarily weak cabinet. Prime Minister Hurtado Miller is a political lightweight, an eclectic economist, and member of the right-wing Popular Action party of former President Fernando Belaúnde Terry. Three members of the cabinet are Marxist leftists, including an education minister from the Maoist-dominated Teachers Union. And the key post of Industry Minister was given to Guido Pennano, a protégé of top oligarch Manuel Ulloa, the former Finance Minister under Belaúnde Terry who opened up the economy to the drug trade. Pennano is best known for his view that Peru depends on the flow of drug dollars that Ulloa's policy facilitated, and that nothing must be done to stem these billions of dollars flowing annually from the jungle into Lima, and into government coffers.

Facing political weakness and lacking an electoral majority in the Congress, Fujimori moved quickly to try to establish his authority over the Armed Forces. After appointing retired military officers to three cabinet posts—Defense, Interior (which controls the police), and Fisheries—he announced, just hours after his inauguration, that he was replacing the heads of both the Air Force and the Navy. He gave no reasons for his decision, and told reporters that "the President doesn't have to give reasons for his actions." Air Force Commander Gen. Germán Vucetich has been accused of corruption, while the Navy high command is known to have opposed Fujimori's election and to have contemplated a coup against him on election day.

Fujimori also moved to shake up the National Police Force, retiring the director general and the heads of the three main branches of the police, along with 35 other officers, some of whom have been accused of openly protecting drug trafficking in the Amazon jungle city of Iquitos.

Whether or not these moves render him secure from military coup d'état, they are no substitute for a competent program to restart the national economy and defeat the narco-terrorist plague afflicting the country.