

Peru ousts IMF minister to win war on terrorism

by Gretchen Small

Peruvian President Alberto Fujimori accepted the resignation of the International Monetary Fund's top agent inside the Peruvian government, Finance Minister Carlos Bologna, on Jan. 5, and informed the IMF that Peru was not ready to sign the austerity accord which Bologna had negotiated, because its terms were not compatible with the primary national priority of Peru today—defeating the satanic narco-terrorists which have destroyed civilized life in the country over the past 12 years.

People on the street and in the barracks in Peru received the news with euphoria. Bologna's IMF policies had collapsed Peru's already abysmal standard of living by more than 10% in two years, exacerbated a cholera epidemic, bankrupted hundreds of national businesses, and forced soldiers to carry out the battle against the Shining Path terrorists without adequate equipment or pay.

Less than one year ago, IMF Managing Director Michel Camdessus could hail the Fujimori government's economic program as a "model" for the rest of the world. Now, the bankers' showcase has been shattered. Most worrisome for international financiers, is the fact that their Peruvian showcase was overturned over the specific issue of the IMF's policy of dismantling the Armed Forces. Although most politicians are still kow-towing to the collapsing Anglo-American powers, a rebellion is rapidly spreading in military ranks across Central and South America against the bankers' malthusian new world order. Peru's dumping of Bologna increases the potential for a domino effect of military anti-IMF actions throughout the Americas.

Peru was a case study in the IMF anti-military strategy. Bologna had fanatically implemented the IMF dictate that everything must be sacrificed to the payment of the debt, including the Armed Forces. Under the conditions of warfare reigning in Peru, this IMF condition had not only sabotaged

the war against terrorism, but had brought the military to the brink of collapse as an institution. The Army, according to Peru's *Expreso* newspaper and other sources, put its foot down: Bologna and his policies had to go.

A crossroads: peace or the IMF

The IMF's first big warning of trouble came on Dec. 13, when President Fujimori sent off a letter to Camdessus, announcing that his government was not prepared to sign the 1993-95 accord as negotiated by Bologna, until the cabinet evaluated whether, under the terms of the accord, "the principal objective of my governmental policy" could be achieved; that is, "the pacification of Peru." The letter went on to make clear that, in the President's opinion, this was not the case.

He wrote: "Our country has two grave problems which differentiate it from many Latin American countries: terrorism and drug-trafficking. . . . The successes obtained in the police-military area against terrorism must be completed in order for economic policies that make possible the eradication of poverty and misery to work. That constitutes the best guarantee to annihilate terrorism and drug trafficking. In this context, an economic program to deal with the situation of Peru must be understood basically as an instrument of pacification."

While it is necessary to consolidate "the strict fiscal and monetary policy we have adopted since August of 1990 to continue reducing inflation," Fujimori continued, "I consider that a program in accord with the pacification process requires an intensive program of investments and generation of jobs, whose amounts are now being determined. . . . I have the firm conviction that in the IMF's cooperative spirit and will toward countries that are carrying out heroic efforts to reconstruct themselves, it will permit the lifting of all legal or technical restrictions in order to aid in these efforts."

A principal reason Peru has had no money for investment is that, for example, in 1992, the government sent \$750 million out of the country in debt payments, and spent all year less than \$60 million—less than one month's debt payment—on anti-poverty programs.

The President released his letter, reportedly written without even consulting Bologna, to the public. He did so, he explained in a Jan. 2 interview with Radio Programas del Peru, to generate public debate over whether the country should continue with the IMF policies and "reinsertion" into the IMF financial system, "so that later I would not be called an IMF'er."

On Dec. 30, Fujimori asserted national control over another long-standing bastion of the oligarchy in Peru, the diplomatic corps. An executive decree fired 25% of its personnel, including 28 ambassadors, and 117 people in all. Unnamed "western military attachés" in Lima responded by giving interviews to the international wire services warning that "we could see another coup attempt against [Fujimori] in the future," because the diplomatic corps was one of the untouchable "institutions that are the basis for real democracy."

In his Jan. 2 interview, Fujimori explained that he had been forced to clean out the diplomatic corps not only because of its "demonstrated inefficiency," but also "for reasons of moral order," i.e., homosexuality. "I have nothing against the personal, private conduct of these people, but if it is the case of a person displaying . . . his homosexuality in a scandalous manner, it is not honorable for this gentleman to represent his country," Fujimori said. The President cited the example of Peru's ambassador to Argentina in the mid-1960s, who "was not invited to an official meeting for fear that these displays would create unrest at the meeting," and noted that "no government has been able to touch this diplomatic elite, but I believe it has been necessary."

The counterattack begins

At midnight on Jan. 4, Bologna handed in an "irrevocable" letter of resignation. The letter made explicit that Bologna had always opposed the anti-terrorist war. Not only did Bologna cite the government's decision to put off signing the IMF deal and discuss changes in economic policy as reasons for his resignation, but he reiterated his opposition to the institutional changes introduced by President Fujimori on April 5, 1992. Those changes, including the closing of Congress and revamping of the judiciary, had put Peru on a war-footing against terrorism, allowing the government to deliver the first devastating blows to the Shining Path's command structure in its 12 years of terrorism.

His resignation was accepted, Prime Minister Oscar de la Puente told the press on Jan. 6, "in view of the fact that the successes in the pacification process could be weakened [by] a balance of payments deficit . . . the disappearance of many companies . . . [and the lack of] reactivation of the national productive apparatus" caused by Bologna's policies.

International financiers responded with threats. Calls poured into Lima from Washington, London, Madrid, and Buenos Aires, threatening capital flight and economic warfare if the Fujimori government did not name a successor firmly committed to IMF policies. The stock market collapsed, and speculators fled into the dollar.

U.S. Assistant Secretary of State for Inter-American Affairs Bernard Aronson took to Peruvian television on Jan. 6 to threaten that the United States would not renew financial aid to Peru, nor encourage others to do so, until the Fujimori government met a series of conditions, amongst them, payment of the foreign debt on the terms prescribed by international financial bodies and cleaning up alleged "human rights violations."

Peru's business community, which except for the Banking Association had been demanding Bologna's head for months, suddenly got cold feet, and began warning the government that it must not provoke "adverse reactions" in the international community by a real change in policy. "Peru is once again under international observation," *Expreso* worried in a Jan. 6 editorial which recommended the President "go fishing to reflect" before making a decision on a successor. More than 48 hours after Bologna resigned, no successor had yet been named.

U.S. activates narco-military assets

The bankers' boys within the Peruvian military went into action as well. Two retired Army generals, Alberto Arciniegas and Luis Cisneros, began openly fomenting military opposition in December, as the government's fight with the IMF became evident. In a series of interviews, the two went after Fujimori and the commander of the Army, Gen. Nicolás Barí Hermoza Rios, while defending the group of U.S. agents who had attempted to overthrow Fujimori in the name of "democracy" last Nov. 13. The night Bologna resigned, General Arciniegas called in foreign press correspondents to denounce the government, and then dramatically took asylum in the Argentine embassy, claiming he feared for his life from the regime.

The Army command initiated military tribunals against both generals on charges of insulting the nation, the symbols of the nation, the Armed Forces, and their commander in chief, charges which carry prison terms.

The two are hardly nationalists acting on their own. Arciniegas, an ostentatiously wealthy man who the United States charged not two years ago protected the Upper Huallaga Valley drug trade, went to work for Hernando de Soto's Institute for Liberty and Democracy, an agency of the U.S. National Endowment for Democracy, after he was retired from the Army in December. And Cisneros has become a leading spokesman within the Peruvian military for the U.S. program to "downsize" the armed forces of South America and place them under supranational control. This is the man who became infamous in 1982 when he declared that, to defeat the Shining Path, it would be justified to kill 60 innocent people to get three terrorists.