

Peru: The IMF Miracle Of 'Growth Without Jobs'

by Sara Madueño

Anyone who still doubts that the rejection of President Alejandro Toledo by 93% of the Peruvian population is a rejection of the International Monetary Fund, should consider the following evidence.

Take the following two statements: "The IMF believes that the Peruvian economy is doing so well that it doesn't need a doctor by its side"; and: "Our economy, today, is where it was 33 years ago." Both statements, the one apparently contradicting the other, were made by the same speaker, at the same presentation, entitled "The Current Economic Crossroads: Challenges and Possibilities," given Oct. 3, 2002 by Toledo's then-Finance Minister and current head of the Central Reserve Bank, Javier Silva Ruete. The first statement was made when he was describing, euphorically, how well the "macro-statistics" of the Peruvian economy were progressing; the second, when he reported that the per-capita GNP for 2002 was at the same level as that of 1966.

The obvious question is: How can Peru appear to be doing so well, if its economy is at the same level as 33 years ago? One doesn't need to be a doctor to identify a severe state of schizophrenia, all too characteristic of the mental state of free-marketeers who separate economics from morality.

A high-level official of the Finance Ministry explained to the press why Silva Ruete insisted that the IMF believes the Peruvian economy is doing so well. "Every year, under previous governments, there has been a fiscal deficit of between 4-5% of the GNP, and today it is at the same level. The difference is that now, we are rigorously complying with IMF goals with regard to payment of our foreign debts. There is no fiscal waste: Public investment related to investment expenses, expenses which involve studies and investment projects, have fallen to 2.8% of the GNP in 2003."

What they like best is the payments on the foreign debt, and the benefits to the banks. In 2003, Peru had to pay \$3 billion in annual debt-service costs on a foreign debt of \$27 billion. And while the Peruvian GNP grew by 4% in 2003, the profits to banks in Peru that year grew 30%.

'Growth Without Jobs'

Toledo made it to the Presidency under the slogan, "Toledo, More Work." However, not only has he *not* created more jobs, but he has eliminated sources of employment by

throwing open the Peruvian market to the mass importing of Asian products, at prices with which national producers are unable to compete. This has predictably led to the forced bankruptcy of more than 6,000 companies—in both the formal and informal sectors of the economy—over the past two years, with the consequent loss of jobs.

Take just one example: According to the president of the National Union of Textile Companies, in 2003 alone, 40,000 jobs were lost in this sector, due to the influx of cheaply-produced clothing from China.

Take another example: In the past five years, 300 shoe factories have shut down, with loss of 15,000 jobs. Of the 11,000 shoe factories that existed in Peru nationwide in the 1970s, only 2,700 still operate today, and these are working at 40% of installed capacity. In December of 2003, employment in this sector fell 4.1% with respect to December 2002.

It is estimated that to absorb new workers entering the labor force at a rate of 3% a year, an economic growth rate of 6-8% a year would be required. Productivity indices in 2002 fell to 1996 levels. Regarding the quality of employment, 32% of the economically-active population (EAP) with a university education is paid less than one dollar per hour. And purchasing power in 2002 was one-third of what it was in the 1970s.

Only 19.2% of the EAP are protected by labor legislation in Peru. From 1995-2002, wage-earners paying into the Federal health system decreased from 6 million to 2.5 million; the rest of Peru's 27 million inhabitants have no medical insurance.

Toledo has not only managed to raise the country's poverty indices, but has managed to turn Peru's poor into the the desperately poor. According to guidelines established by the World Bank to measure levels of poverty in Ibero-America, those who live on less than a dollar a day fall into the category of the "extreme poor." Those classified as merely "poor" are those who live on less than two dollars a day. According to these guidelines, 65% of Peru's rural population is living in poverty, while 25% fall below the line of the "extreme poor." Over one-third of Peru's population lives in rural areas, and of these, 70% have no electricity and 65% have no potable water.

But according to the statistics compiled by Peru's own National Institute of Statistics (INEI) for 2002, 54.3% of the Peruvian population lived in poverty, and this percent rose to 77.1% in the rural sector. Some 23.9% of the population are in the category of "extreme poverty"—nearly one-fourth of Peru's total population. This percentage increases to 50.3% in the rural sector.

Unofficial estimates for 2003 indicate that the percentage of the Peruvian population living in poverty has risen to 61%. That is, during the two-and-a-half years of his administration, Toledo has managed to increase the level of poverty by the end of 2003 by 17 percentage points over 1997 figures.

Imitating the Chinese 'Dagongmai'

In this country of hungry people, one of the most successful export sectors, after mining, is agricultural production, which contributes 9% to the GNP. But consider what the president of the Congress' Economics Commission, Luis Solari, recently revealed: "In Peru, 58.2% of the country's productive lands still use the *taclla*, a pre-Hispanic plow which digs furrows by the power of the farmers' feet." In other words, what is exported along with agricultural products is the life essence of Peru's peasant farmers.

Other still-surviving productive companies in Peru are faring no better than the agricultural sector; the majority of them are either bankrupt, or on the edge of bankruptcy. They have been forced, in order to survive, to imitate the slave labor camps of the Chinese "*dogonmai*," where 14-18 hour work days, wages of \$30 a month, and no social benefits have "increased the competitiveness" of their export products, by sucking the very lifeblood out of the workers who produce them.

This is the model of the "opening" and of "increased competitiveness" which lies behind the alleged success story of Peru's increased exports. It is also the model behind the Free Trade Area of the Americas (FTAA) which Bush is trying to sell to the countries of the Hemisphere.

The only sector using modern technology—to improve the efficiency of its looting—is the mining sector. But the exports of this sector represent 51.1% of all Peruvian exports, while only providing 1% of the jobs. And this sector operates as a plundering enclave for export.

The case of the Yanacocha gold company, the leading gold company in Ibero-America, is illustrative. Located in the province of Cajamarca in northern Peru, Yanacocha is a looting operation, which yields no wealth for the country. Its output proves useful only for inflating Toledo's beloved "macro figures." As the population in the area has repeatedly charged, the multinational company to which the Peruvian state has "granted a concession" (looting rights), not only invests nothing in any kind of infrastructure in the area, but actually ravages the province.

It should come as no surprise that the leading shareholder of Yanacocha, through Newmont, is Toledo's personal patron, the world-class megaspeculator George Soros himself.

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