

tions must be differentiated from those with Russia. With German help, the economic motor can be effectively developed, and Europe should promote its relations to Ukraine more energetically. It is not possible to set 6 or 10 million people into motion at the same time. There has to be a phased development, and for that, the Galitsia region offers itself. The sister city relationship between Munich and Kiev is very important, too. Germany ought to concentrate on one region and work really effectively there.

But it should not be forgotten that relations with Russia are very important to us. The Soviet Union, the Russian Republic, and Ukraine are on the verge of attaining a new quality of relations. The West must act, therefore, in a tactful and enlightened manner, and show greater flexibility in its diplomatic activities and calculations. If one side were to go back to the Cold War approach, this would make the situation considerably more difficult.

The current crisis

The struggle over the correct economic path is being decided both by the ever-worsening supply and production situation, as well as by how the central authorities will react to the independence struggle in Ukraine. In touring around Kiev, for example, one observes a certain supply of simple housewares, cosmetics, and so forth, but the only ones who can buy them are those who have ration coupons. The rationing measures on consumer goods are aimed at the buyers who stream into the city from the surrounding area to "buy off" from the Kiev citizens "their" commodities. A trip on public subway trains costs 15 kopeks now, while only a few months ago it was 5 kopeks. The black market is flourishing. A foreigner has great difficulty getting a taxi that will still carry you for rubles. (Amounts as high as \$40 are needed for transport from the Moscow International Airport to the domestic airport—according to the official exchange rate, this would correspond to some 880 rubles, or two months' wages.)

The black market problem was heavily discussed at the conference. Around the question of how privatization will take place—either by means of outright grants to private businessmen, or through auctions or leasing—the problem emerges as to how a simple Ukrainian citizen could come into enough money to buy up a major company. Some speakers proposed regulation of loans and credit lines by laws. Some, however, suggested that the black market should be simply legalized, in order to allow these huge illegal monies to flow into the productive economy, something that was greeted with stormy protests from a few listeners. "That way, criminal machinations would go unpunished," shouted the protesters.

Peru revolts against IMF's wrecking job

by Luis Vásquez

The Peruvian population's rebellion against the government of President Alberto Fujimori, which is mercilessly applying International Monetary Fund (IMF) austerity dictates, is growing daily. The center of Lima and the workers' zones which surround the capital city are the scenes of daily demonstrations by the unemployed, and of street battles between striking workers and the police sent by the government to disperse them. These protests, usually joined by ordinary people in the streets, often turn into scenes of looting, stoning of public buildings, and burning of buses. The same is going on to varying degrees across the country.

Peru, which has staggered along for years under an unpayable multibillion-dollar debt burden, has reached a point of total economic and social breakdown. Peru is the epicenter of the cholera epidemic killing thousands across the continent, which has now reached into Mexico to claim its first victims there. Peru is also an increasingly important center of operations of the cocaine cartels, which directly or indirectly have hundreds of thousands of Peruvians on their payroll. Peru, in the grip of the IMF, is Ibero-America's future.

Labor is up in arms

There are presently some 2 million workers in Peru on indefinite strike, according to the head of the Peruvian General Workers' Federation. That is 40% of Peru's total work force. All of the country's largest labor federations are on strike or in a protest mobilization of some sort. The teachers' union, representing some 300,000 workers nationwide, has struck in protest against its members' miserable wages, which generally are less than the equivalent of \$30 a month. The health workers' union, representing more than 250,000 doctors, nurses, and medical aides, has been on strike for more than 90 days, in parallel with the growth of the cholera epidemic. A nurse with 20 years' experience receives no more than the equivalent of \$32 a month, while doctors average \$50 or less. Every day, a contingent of 100 retired elderly persons can be found chained to the steps of Peru's Social Security Institute, to protest the miserable pensions which have condemned them to death by starvation.

The best-paid, the oil workers, have been charged by President Fujimori with a "lack of solidarity" for their aver-

age \$200 per month wage. They have just declared a strike to protest the government's decision to privatize the state oil company PetroPeru, the economy's "goose that lays the golden egg."

'A pound of flesh'

The Peruvian population is being starved to death to pay the IMF, charged *Sí* magazine of June 22. At present, "one-third of government revenue is used to pay [IMF managing director] Monsieur Camdessus and company." So far this year, \$400 million has been paid out, and the monthly outlay is now reaching nearly \$50 million, according to *Sí*. This figure was corroborated by Economics Minister Carlos Bologna, who declared that one of the benefits of the "bridge credit" of \$1.2 billion that Peru is asking of a still non-existent "support group" of nations, will be to avoid the \$50 million monthly payment to the IMF.

Various analysts, and even some congressmen, have charged that the Fujimori administration has paid thus far more than \$1.1 million to the IMF, without receiving a cent of credit in return.

Sí magazine also reports that the Gross National Product has fallen by 20% so far this year, and in certain industrial sectors, the collapse has surpassed 35%. The import liberalization policy which has opened up the economy to everything, even to imports of U.S. toilet paper, has caused the virtual disappearance of certain branches of national industry. Justo Orrellana, the president of Peru's Association of Small and Medium Businesses (Apemipe), recently charged that nearly 250,000 small companies have gone bankrupt during the first year of Fujimori's reign.

Agriculture is also in dire straits. According to the Peruvian Farmers Federation, as much as 50% of arable land is no longer cultivated for lack of credits from the development banks, and because of high interest rates from the commercial banks. Poor farmers have begun to sell off their lands in view of the impossibility of cultivating them, and the government has assisted the process with a decree annulling the agrarian reform of former President Gen. Juan Velasco Alvarado (1968-75).

Despite the brutal recession that has been imposed, inflation has yet to be defeated. In fact, in the past two months, the monthly inflation rate has again surpassed two digits and now everyone, even officials of the Fujimori government, are admitting to the failure of the "anti-inflation" program designed by IMF officials.

There are two fundamental reasons for that failure. First, the liberal essence of the program, which sanctifies "free enterprise," has made the Peruvian economy much more parasitical than it was even one year ago. Today, more than ever, the activities which turn the biggest profit—drug trafficking, contraband, financial speculation—are soaring, while real production disappears. The paradoxical result of this "opening" to foreign capital, and to Peru's "reinsertion

into the international financial community," is that the only foreign "investment" that has come into the country has been: 1) a group of Korean investors who purchased an old Lima hotel earlier this year, and turned it into a casino, complete with slot machines; and 2) a Hong Kong banking group, headed by the Hongkong and Shanghai Banking Corp., which bought Lima's Sheraton Hotel and Aeroperu, the national airline, and announced that it was going to build a network of casinos and hotels, including in the ancient Inca city of Machu Pichu.

The second reason for the failure of the IMF program lies, according to the Fujimori government itself, in its inability to increase the country's tax revenue. And this inability is not due to the high taxes which have Peru's small base of taxpayers squeezed dry, nor because service costs of the public companies are too low. In fact, Peru is currently paying the highest price for gasoline of any producer nations. And its electricity, water, and telephone charges top any Latin American cost index.

The real reason for the inadequate flow of tax revenue is what Bush's favorite Latin American economist, Hernando de Soto, fondly calls the "informal economy." The Fujimori government, advised by De Soto, has already admitted its inability to incorporate this immense layer of "informal," or underground, producers, into the taxpaying universe.

The spread of cholera

What most demonstrates the utter bankruptcy, the outright criminality, of IMF prescriptions is the economic history behind the cholera epidemic in Peru. As President Fujimori recently confessed to the Japanese magazine *Nikkei*, Peru has lost \$400 million in exports and more than 500 million man-hours of labor—a combined equivalent of nearly \$1 billion—due to the cholera epidemic. These dramatic losses could have been prevented if Peru had employed an \$80 million program of emergency sanitation and small infrastructural projects in Peru's main cities.

This emergency program, according to former Health Minister Carlos Vidal Layseca, had already been outlined with the help of World Health Organization technicians. However, when the program was presented to then-Economics Minister Hurtado Miller, he had invoked the authority of President Fujimori in refusing to declare the country in a state of emergency. In his own words to the Lima press at the time, such a program implied "too much expense." The "economic program had to be saved," said Hurtado Miller.

Health Minister Vidal was forced to resign from the government because of his disagreement with Fujimori and Hurtado's handling of the cholera epidemic. However, before his departure, Vidal presented the national press with some explosive accusations against the government, charging it with having forced him to lie to the public, and to hide the existence of cholera when clinical proof of its spread in Peru was already in hand.