

Andean Report by Manuel Hidalgo and Gretchen Small

Watch out, Peru!

If Fujimori takes Henry Kissinger's advice, his war on the Shining Path terrorists will certainly fail.

Thanks to the "inside job" carried out by the bankers' duo in the Fujimori government, Economics Minister Carlos Boloña and the guru Hernando de Soto, the government has just reaffirmed its commitment to Henry Kissinger's economic program, down to the deadly detail of limiting the military budget in order to ensure that debt payments continue undisturbed.

President Alberto Fujimori turned control of the economy back over to Boloña and De Soto in May, after the Bush administration strong-armed Japan into joining the cutoff of international credits for Peru, decreed after Fujimori put Peru on a war footing against the Shining Path terrorists on April 5. The President remains committed to that war, but with the Kissinger economic program cutting off funds to the military and looting the country of precious resources, he will find that he will be unable to fight that war.

On May 26, Peruvian Energy Minister Yoshiyama, who serves as the "privatization czar" within the cabinet, announced to a meeting of David Rockefeller's Council of the Americas in New York that the government will privatize all state-owned businesses, "at the rate of one a week." He promised the representatives of some 50 companies present (among them Kissinger Associates) that the government "is willing to entertain reasonable offers," including debt-for-equity exchanges, and will allow no distinction in treatment between national and foreign capital.

To remove all doubt as to whose

program the government was adopting, both Yoshiyama and Boloña met immediately afterwards with Henry Kissinger himself, to request, according to the June 1 *Caretas* magazine, that he advise the government on the transfer of Peruvian state companies to the creditor banks.

The Rockefeller-Kissinger crowd made clear that they not only plan to buy up cheaply the strategic sectors of Peru's economy, but seek to define political strategy for the country as well. Boloña was interrogated at the Council of Americas meeting on how he planned to keep the government from increasing the military budget. The Peruvian military, desperately short of equipment, supplies, and even food and clothing, has been pressing for a budget increase so it can defeat Shining Path.

Boloña promised the assembled Rockefeller crowd that he had the military under control. "We've told them that our budget availability has a limit, and therefore any request for resources must be accompanied by a proposal for who should lose those resources, which seems to have achieved positive results," he laughed.

Boloña knows better than anyone where those resources could easily come from: In 1990, Peru paid the foreign banks some \$1.4 billion in debt payments, while the military received a piddling \$400 million for all its operations.

While the military has yet to answer that challenge, the government is proceeding to hand the country over to its international creditors at remark-

able speed. On June 2, Yoshiyama repeated categorically that the government will use short-term debt titles in the debt-for-equity schemes. This debt will be priced, not at its nominal value, but at 18 or 20% of its market value. "We think that the process will be totally transparent, because the people who hold these debt titles will be asked to offer them in the largest quantity . . . which they could have, because these are valuable on the market," he stated.

Demonstrating that foreign capital is to run the show, on June 2 Yoshiyama named First Boston Corp. as the "promoter" for the privatization of the iron-producing company Hierro Peru. For its part, Bankers Trust Co. proposed to Boloña that it would buy the state finance company Peruinvest for \$34 million in debt title, which it had bought from Arlabank.

The very day that Yoshimaya made his pitch to the Rockefeller council, the government sold the state mining company Condestable, at 68% of its nominal value. The government announced on May 25 that it would sell Conchan refinery, the Transoceanica shipping company, and the Petroperu gasoline service centers, for starters.

These measures provoked political protests over the lack of "transparency" in the privatization, and demands that the government wait to sell the companies which have higher prices until the value of the dollar increases. *Expreso*, the newspaper of Rockefeller ally Manuel Ulloa, answered by congratulating Fujimori for having stepped on the privatization accelerator, dropped the "outdated" concept of "strategic companies," and readied the sale of the national oil (Petroperu), electricity (Electroperu and Electrolima), telephone (Entelperu), military industries (Indumil), and steel (Siderperu) companies.