

based on the drug-backed Hong Kong model.

However, President Fujimori's "self-coup" on April 5 of last year undermined this model by causing a decline in "confidence" of the flight capitalists who had been "investing" in Peru. With less of this capital coming into the country, the balance of payments situation has considerably worsened. Without any possibility of expanding exports under the current economic model, Peru's balance of payments deficit by the end of 1993 is expected to surpass \$1.45 billion.

Enter the Chilean model

President Fujimori is now hoping to revive Peru by implementing the so-called Chile model. With the same utopian and futile hope it had held out for winning foreign credits if it "behaved itself," the Fujimori government now seems to be placing all its hopes in attracting direct foreign investment from, primarily, Asia. President Fujimori apparently believes he can reproduce in Peru what happened in Chile after the Malvinas War, when money poured into that country as payment for the turncoat role Chile had played against Argentina at the time.

However, these hopes are sheer illusion, especially since the U.S. Eastern Establishment has already explicitly warned, through both George Bush's Enterprise for the Americas initiative and the North American Free Trade Agreement (NAFTA), that Ibero-America constitutes its *own* personal strategic reserve of raw materials and cheap labor.

Fujimori's recent, fourth trip to Asia is illustrative: In response to the Peruvian President's repeated appeals for aid and investment, Japan has given a mere \$250,000 in grants and \$50 million in new credits. In Korea, on the other hand, Fujimori met with discreet enthusiasm for his proposal to grant a free-trade zone—with lucrative exemptions—to Korean capital. The Peruvian offer was made at the same time that denunciations surfaced in Argentina accusing Korean capitalists of running their factories like virtual concentration camps with slave labor.

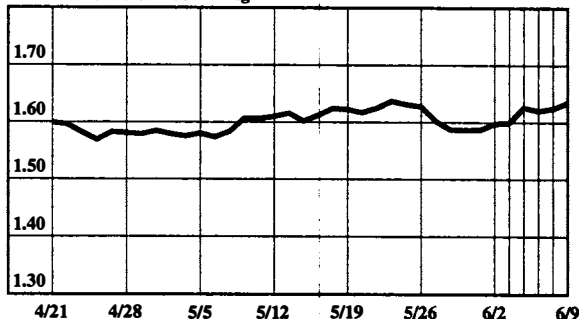
Another element of the Chilean model Fujimori hopes to copy is getting access to workers' pension funds, through the creation of numerous Associations of Pension Funds. The market for these funds moves nearly \$13 billion in Chile at the present time. The AFPs would receive pension funds from Peruvian workers and would channel them into profitable activities which would permit both their capitalization and the payment of pensions to retirees. It is estimated that this system would prove successful if it produced an annual yield of 18% or more.

However, given the depth of recession of the Peruvian economy, which is unlikely to be reversed unless and until President Fujimori abandons his anti-productive IMF policies, one is led to believe that both his Chile model dreams, and those of former Finance Minister Bologna (today president of Peru's first AFP), will suffer a sharp reverse as reality asserts itself.

Currency Rates

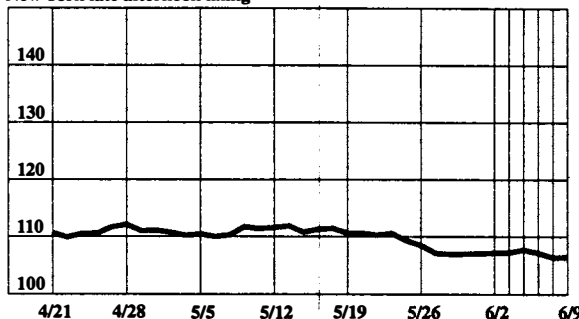
The dollar in deutschemarks

New York late afternoon fixing



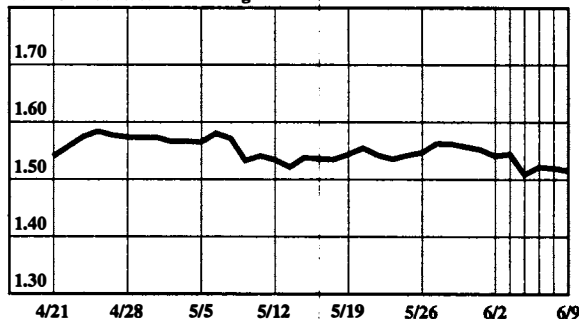
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

