

Andean Report by Sara Madueño

Peru doubles its debt

Peru is submitting to the IMF and London's imperial interests as its social woes, and its debts to the banks, grow.

Under the headline "IMF Calls the Tune for Fujimori," the May 23 issue of the London *Times* published an unusual, 14-page supplement recommending that British investors take control of "Peru's vast mineral wealth," as they did during the 19th century, the golden age of British imperialism. The publication of the *Times* report coincided with the signing in Lima of the contract between the government of President Alberto Fujimori and the Anglo-Dutch Shell-Mobil consortium for exploitation of the Camisea natural gas deposit. Located near the southeastern city of Cuzco, the Camisea deposit is estimated to contain on the order of 10.8 trillion cubic feet of gas.

The contract represents outrageous submission by the Peruvian government to purely speculative British interests, not unlike the heyday of the 19th century when Britain exploited Peru's guano deposits on the country's offshore islands. Not only did Peru accept all of Shell-Mobil's demands regarding taxation and repatriation of profits, but it also accepted the fact that, despite the contract's reference to "investment," it really does not guarantee any effective investment by these companies in Peru. The deal establishes that only in 1999, after the "corresponding market studies" are completed, will these companies decide whether or not to invest the \$3 billion they have promised.

In other words, the only thing the contract really guarantees is that Britain's House of Windsor will control these important natural gas deposits

for the remainder of the century. Such precautionary action by these oligarchical interests occurs at a time when the international financial system, eaten away by the speculative cancer of derivatives and similar fictional instruments, is on the verge of collapse.

To guarantee Peru's continued cooperation, International Monetary Fund (IMF) Managing Director Michel Camdessus was just in Peru, where he advised Fujimori in no uncertain terms that continued "restructuring" of the economy, "reform" of social programs, and an intensified privatization campaign, were the conditions for Fund "assistance." Failure to privatize the state oil company Petroperu, in particular, Camdessus emphasized at a press conference, would trigger an "interruption" of IMF support.

London propaganda over the so-called Peruvian "miracle" occurs at the same time that a final agreement was announced between Peru and its bank creditors over signing a Brady Plan for refinancing the debt to private banks which Peru froze back in the 1980s. The creditor banks, headed by Citicorp, could not have struck a better deal. In the first place, Peru acknowledged a debt with the private banks totalling more than \$10 billion; even former Finance Minister Carlos Bologna (whom no one could accuse of being anti-banker) estimated the figure at \$8 billion. That is, through this new Brady agreement, Peru has agreed to add to a debt, whose principal at the end of the '80s was \$4.4 billion, another \$5.6 billion in interest and late fees. Double the initial debt!

Regarding the so-called 50% debt reduction under the Brady Plan, this applies only to the principal, and will reach, under the best of circumstances, only \$2.2 billion. That means that Peru will still be left with a debt of more than \$7.8 billion, which it will have to "honor" with an initial payment of between \$3 and \$3.5 billion. The bulk of that initial payment will, of course, come from Peru's intensified privatization program. The rest of the debt will be paid in "comfortable" annual quotas of \$900 million to \$1 billion, for the next 20 years. In other words, on an initial debt of \$4.4 billion, the banks will receive \$3.5 billion up front, and another \$1 billion a year for the duration.

The announcement of the Camisea contract and the signing of the Brady Plan, presented as proof of investor confidence in Peru, is also intended for domestic use to calm the growing protests, both in Lima and nationwide, against Fujimori's IMF-imposed giveaway program. The government's neo-liberal economic program is a thoroughgoing fiasco, which will only succeed in aggravating the poverty, and desperation, of the Peruvian people. In the first half of 1996, not only has the GNP fallen by 0.1%, according to official figures, but inflation has also begun to take off again, and no amount of credit restrictions or monetary tricks will stop it.

The rise in prices, primarily in food, is wreaking havoc with the population's buying power, and promises only worse things to come, if one considers the fact that 60% of Peru's food needs are currently imported. Agricultural and industrial production for the domestic market are on the verge of disappearing. And darkening the picture is the fact that, as hunger spreads throughout the population, Peru could once again face the nightmare of revived Shining Path narco-terrorism.