Fujimori shifts, halts privatizations in Peru

by Luis Vásquez Medina

The late March announcement by Peruvian President Alberto Fujimori that the sale of the country's hydroelectric plants and urban sewage and water facilities was being suspended, represents a significant turnabout in national economic policy. It was already clear that the privatizations, which have been ongoing for more than eight years, have proven to be a looting mechanism against the weakened national economy.

Immediately, the spokesmen of international usury in Peru condemned the President's decision. Roque Benavides, the new president of CONFIEP, the private sector's most important think-tank, was one. A partner of George Soros in Yanacocha, the largest gold mine in Ibero-America, and a member of the family which owns Lima Interbank—the bank which brought George Bush to Lima in 1997—Benavides declared himself in rebellion against what he called the government's "lamentable" decision, and said that his institution would only hold talks with the government if it agreed to debate its decision to halt privatizations. Another was Carlos Montoya, the executive director of COPRI, the privatization commission named by the government which began the disastrous process of auctioning off the nation's assets in 1992. Montoya, who is tied to Harvard Prof. Jeffrey Sachs, argued that the privatizations must continue because that is the only way the government has to scare up capital without taking on greater foreign indebtedness.

Not even the opposition approved of the Presidential order. Francisco Sagasti, former World Bank planning chief and the opposition's leading economist, acidly condemned Fujimori's decision, saying that the measure is entirely "political." It seems "that the privatization process is based on opinion polls," and not on "clear economic criteria, which advise continuing with a reform of the state," he said.

Outright lies

However, all of the principal arguments that have been used to justify privatization have been outright lies. For example, after more than eight years of privatizations, the much-touted increase in productivity has proven to be a chimera. In fact, many of these firms have been dismantled, as in the case of Aeroperú, the flagship airline in Peru which has just gone belly up. Of its entire fleet, not one airplane remains.

Not even the supposedly high-tech mining investments have meant any progress in developing national infrastructure. Unlike the old mining "enclave" at the beginning of the century, which at least finished the construction of several rail lines, the export of minerals today, especially of gold, is conducted by helicopter.

TABLE 1
Major privatizations in Peru, 1991-98
(millions $)

Peruvian Telephone Co.	$2,630
Electricity sector (distribution)	1,470
Mining sector	1,145
Oil sector	787
State banking	322
Cement producers	305
Other	1,129
Total	7,788

Source: COPRI.

That the privatized companies are not transferring technology to Peru hasn't stopped them from being highly profitable—at stratospheric levels! The best example is Telefónica del Perú. Sold for more than $2.6 billion in 1992, it took advantage of its character as a monopoly to impose abusive rates, sometimes tripling and even quadrupling telephone service costs to the United States. By 1997, it is said, the Spanish owners had recovered their investment, and today, Telefónica del Perú is considered one of the most profitable businesses in the world conglomerate of Telefónica de España.

The privatization of gasoline distribution and of some refineries has also proven a disastrous deal for Peru: During the time that international oil prices were going through the floor, in Peru they rose. One analyst who is a specialist in hydrocarbons, indicated that Shell, Mobil, and other oil multinationals which appropriated the service stations in Peru, earned some $500 million in 1997-98, merely from the price differential between the cost of international crude, which was falling, and that of domestic gasoline, which was rising.

As far as statistics exist, total assets either sold or granted as concessions add up to $7 billion during 1991-98 (**Table 1**).

Today, all analysts (even those in the government) agree that the sale of these assets was carried out on the sole criteria of raising cash, that is, scaring up revenues for paying international debts. Of the nearly $8 billion in revenues brought in this way, only $3.8 billion remains, which forms part of the country's international reserves and which by explicit prohibition from the International Monetary Fund cannot be invested in anything productive. All the letters of intent signed by the IMF and the Peruvian government establish the necessity of "sterilizing" these resources, under the pretext of avoiding triggering inflation!

We hope not too late, our pragmatic President appears to have begun to realize that the panacea of privatization is just a gambit on the part of international speculative capital.