

Andean Report by Valerie Rush

'Betting on Peru' in the year 2000

Alan García calls on Peru's capitalists to throw in their lot with his "historic project."

With a genuine economic recovery in progress to show for his refusal to buckle under to the International Monetary Fund, Peruvian President García is next phase of his "historic project" for the year 2000. The clean electoral sweep that García won in the Nov. 9 municipal elections gave him the mandate to do just that.

García explained his objective in an address to Peru's Annual Conference of Business Executives (CADE) Nov. 19. The speech was interrupted 10 times by applause. "I see the result of these elections as a message, as a claim by traditional forces that are seeking unity: the poor, the middle class, the industrial bourgeoisie. . . . All of these forces can be integrated under one project. . . . We will build our capital, we will produce, we will make wealth accessible to all, we will grow."

President García repeatedly emphasized the need to think about the future: "The only way to get to the year 2000," he said, "is by uniting wills."

The 700 Peruvian capitalists attending the CADE meeting were reminded of García's appeal last July for productive investment of their capital. At the time, the President had told the nation's industrialists that "you are not speculators. An industrialist is someone who takes risks for himself and for Peru." Now, García was able to tell the businessmen, "Thank you for betting with me. . . . Let's enjoy the luxury of being rebels."

García's first year in office was dedicated to reversing the rapid down-

ward spiral of the Peruvian economy and reinitiating growth. By raising wages, holding down prices on basic products, halting the unending series of devaluations and putting a 10% ceiling on percentage of export income dedicated to debt repayment, he restored stability and gave an initial stimulus to consumer demand that got production going again. But, as he has repeatedly warned, a more fundamental restructuring of the Peruvian economy based on industrialization and modernization of agriculture is the critical next step.

Thus, he informed the businessmen that bold new investments in industry and in city-building projects were now on the agenda. One day later, he put his words into action, addressing the population of the small northern city of Piura on his plan to turn a dozen small cities like theirs into intermediate industrial centers. He pledged that these long-neglected areas would receive the water, electrical, and other infrastructure required for that.

During his Piura visit, García elaborated his program to the year 2000, a program which defines a nationalist posture toward the foreign debt as priority *número uno*. City-building, a competent educational system, and drawing population away from the over-crowded and poverty-stricken city of Lima, were also key aspects of his program for the year 2000. The President suggested that the program could take the name of Marshal Avelino Cáceres, the Peruvian hero during the 1879 War of the Pacific who personally organized a militia to drive the invading Chilean army out

of Peru. The "Belaúnde" of that period (Fernando Belaúnde was García's predecessor) had responded to the invasion by grabbing the national treasury and abandoning the country to an enemy occupying force.

García's city-building plan accompanies his now famous rapid-transit project for Lima, and large-scale irrigation and electrification works for the neglected regions of the country.

García also told the CADE businessmen that plentiful, low-interest credit and generous tax incentives would be made available to those committed to investing productively in the economy. The central bank has already announced that \$200 million would be freed up for industries run down by decades of disinvestment, and agreements for \$100 million worth of new investment in agro-industry, textiles, and other industrial sectors are in the making.

In his one-and-a-half-hour address, García gave the CADE assembly an economics lesson which knocked into a cocked hat all the orthodox bankers' recipes for "economic growth" International Monetary Fund-style. He challenged those theorists who insist that "any deficit is bad," explaining, "Clearly a deficit is bad when it goes to pay the foreign debt. . . . But the deficit should be welcomed when there is capacity to create work or when it serves to increase demand."

He warned those with less than patriotic thoughts, "I will not shock the country one of these mornings by saying that I have devalued our currency 30%. I trust in Peru, I trust in you. I trust you will not go running to Ocona Street [money-changing the bank to buy dollars. Why? Not only because I trust you, but because I am warning you, you'll lose if you do!"]"

now