

## Andean Report by Manuel Hidalgo

### Are Boloña's days numbered?

*Peru's business sector is losing its faith in the economics minister's "Chilean model," and is demanding a change.*

Peruvian Economics Minister Carlos Boloña may finally be winding up his days in office, if the growing chorus of protests against his insane austerity policies is any indication. Ever since President Alberto Fujimori seized emergency powers in early April in an effort to mobilize the nation against the narco-terrorist Shining Path, Peruvians have been waiting for him to dump the man who, more than any other, is identified with the International Monetary Fund prescriptions which have ravaged their country and given impetus to the narco-terrorists.

So far, Fujimori has been more afraid of the creditor banks than of Shining Path. However, plagued by scandal, Boloña now faces not only the fury of the abandoned Peruvian military, but of the business sector.

According to the daily *La Nación* of Aug. 27, "it is known that a deep malaise is spreading throughout the Armed Forces because of the postponement of the [wage] increases that have been offered . . . on more than one occasion. Boloña, with his argument of avoiding a fiscal deficit, has even reduced the budget for acquiring and renewing the Armed Forces' conventional matériel. The criticism is based on the fact that Boloña has been inflexible toward military officialdom while being generous with a group of private businessmen, friends, and associations with which he has embarked on the purchase of public companies bearing devalued debt paper."

But the demand to equip the Armed Forces for a serious fight

against subversion is a long-standing one. Reliable sources have told *EIR* that a high-level military figure personally blames Boloña for the Army's lack of operational capability, because of his systematic refusal to provide urgently needed funds.

Shortly after it was revealed that the Gross Domestic Product had fallen another 3.4% between June 1991 and June 1992, Boloña flew to Washington, D.C. to ask permission from the International Monetary Fund to spend \$300 million in a so-called economic reactivation plan. But Peru's business sector was not long in realizing that this was but one more of Boloña's infamous stall tactics, which end up benefitting the creditor banks but not the economy of his homeland.

"The ones most harmed, the exporters and the industrialists, are growing daily more impatient and less tolerant not only with Boloña but also with the bankers, whom they accuse of benefitting themselves both through excessively high interest rates and through such 'profits' as the \$100 million bailout the government allocated for the purchase of bad debt," charged the magazine *Caretas* of Aug. 27. "Augusto Baertl, president of the National Mining Society, expressed his dismay at Boloña's refusal to modify his exchange policy and, without pulling any punches, criticized the government for continuing to base itself on coca dollars to close the balance of payments deficit."

The situation created by Boloña is even driving a wedge between his allies at the banking association Aso-

ban, and the producer societies. The newspaper *Gestión* reported on Aug. 26 that Asoban president Jorge Picasso rejected the criticism of the other sectors in the business confederation Confiep, and threatened that "if the banks are adjusted, they will be forced to call in their loans, and more or less the entire productive sector will belong to the banks."

This, of course, produced a reaction. Confiep's own president declared Aug. 31: "The economics minister needs a good shock to make him modify his program a bit. The exchange rate is depressed and interest rates very high. The two things have to change." According to Eduardo MacBride, president of the Exporters Association, Confiep's board should convince its affiliates that "Boloña's departure would not be strategically appropriate at this moment," but that Confiep's executive committee "agrees to tolerate the situation until September," when the Inter-American Development Bank decides whether to lend Peru \$100 million.

What happens if the loan, inadequate as it is, does not arrive as expected?

There are some who are not willing to wait even that long. "Boloña Is Leading the Country to Disaster," headlined the Aug. 28 issue of *La Nación*. And former congressman Dennis Falvy charged Aug. 26 that Boloña illegally used \$10 million taken from the funds of recently liquidated financial institutions to finance a television campaign in favor of privatizing the social security system. The current president of the social security system, IPSS, Luis Castañeda Lossio, has criticized the indecent haste with which Boloña is pushing the privatization, which could rapidly bankrupt IPSS, leaving hundreds of thousands of retirees without access to their pensions.