Wall Street Takes a Hit in Peru, As Anti-Privatization Spreads

by Valerie Rush

Peruvian President Alejandro Toledo was forced to bow to the inevitable and dump his Cabinet on July 12, in the wake of mass protests against a merciless privatization policy which was the foundation of his government. In addition to his Interior Minister Fernando Rospigliosi, who had been forced out weeks earlier, Toledo accepted the "irrevocable resignations" of Prime Minister Roberto Dañino, Foreign Minister Diego García Sayán, and, most importantly, Economics Minister Pedro Pablo Kuczynski (a.k.a. PPK).

This trio, despised by the Peruvian population, spoke explicitly for the international banking interests which toppled the nationalist President Alberto Fujimori at the end of 2000, and put Toledo into office for the express purpose of looting Peru blind. Indeed, PPK's appointment to the Economics Ministry had been a key condition imposed by the banks in exchange for their support for Toledo's Presidential bid. Ever since assuming his post, PPK had boasted that ruling the economy was his domain, and he had undertaken as his primary mission an accelerated pace of privatizations in mining, energy, and agriculture, in particular, designed to generate $700 million in revenues this year in order to cover the severe government budget deficit caused by skyrocketing debt payments, collapsing production and, consequently, diminished tax revenues.

PPK's privatization mania caused this year's May Day celebration to turn into a 48-hour general strike against the government's privatization of the Mantaro Hydroelectric Complex, the largest in the country. Protests hit the North over plans to sell off the Talara oil refinery, while agricultural producers in the nation's central region declared an indefinite regional strike over the dumping of subsidized food imports on Peru's markets. Union protests against government economic policies began to hit Lima, as well.

But PPK's fate was sealed on June 19, when President Toledo was forced to reverse the privatization of two state electricity providers in the South, Egasa and Egesur, in the face of civic strikes which had convulsed seven southern provinces for six days, and had begun to win sympathy mobilizations in the North as well. Although the government had ludricously denounced the protesters as "a handful of extremists and violent malcontents" and imposed a 30-day state of emergency in the area, Toledo's attempt to deploy soldiers against the strikers backfired when the military—whose heroes have ironically been the targets of political witchhunts by the Toledo government—refused to deploy. Unable to enforce his threats, Toledo buckled, and signed a pact actually reversing the already-announced sales of Egasa and Egesur.

Wall Street was furious, and J.P. Morgan sent a warning that the privatization reversal "was a negative surprise for the markets, but our hope is that in the short term, President Toledo and his Cabinet will correct what we could call a lapse." But Toledo's approval rating in the polls was rapidly plunging toward 10%, which forced him to try to stem the political hemorrhaging by purging PPK and his cohorts from the Cabinet, despite a post-election promise to a handful of New York bankers last July that Kuczynski "will stay until the last day of my administration."

PPK and company were replaced by figures with a more populist tinge, but these new faces will do little to solve Toledo's problems, as long as he remains pledged to the same free-trade globalization policies demanded by his sponsors on Wall Street. In fact, newly named Economics Minister Javier Silva Ruete immediately told the press that, while privatization might not be openly pursued for now, "there are many ways to sell public companies. . . . There are principles that we are going to maintain."

Protests Echoed Continent-Wide

It is adherence to those same neo-liberal dogmas by nearly every one of the governments of Ibero-America which is igniting protests everywhere, and threatening the stability of the entire continent. The policy of the Bush Administration has kept up its blind, ideological insistence on the mantra of "privatization and free trade," which has only worsened the situation.

For example, Treasury Secretary Paul O'Neill will travel to Brazil and economic basket-case Argentina at the beginning of August, where he will inform both nations that they can expect no mercy (or money) from Washington, Wall Street, or the International Monetary Fund. Argentina is now in the throes of its worst depression in memory, as a result of IMF strangulation conditionalities. And Brazil has a real foreign debt approaching $500 billion, the largest in the world, which is only months, or perhaps weeks, from a total blow-out.

In mid-July, the U.S. State Department's Assistant Secretary for Western Hemisphere Affairs, Otto Reich, toured Argentina, Brazil, and other Ibero-American countries, to deliver the same message.

This "damn the torpedoes" lunacy emanating from official Washington, has provoked more politically savvy elements in the United States to begin to ring the alarm bells, urging the Bush Administration to wake up, before it is too late. They are particularly concerned over Lyndon LaRouche's growing influence in Ibero-America, in the face of the economic maelstrom pulling the continent under, as recently reflected in the U.S. economist and Presidential pre-candidate's extraordinary visit to Brazil (see *EIR*, June 28, July 5, and July 26).

Exemplary of the nervousness is a column appearing the the *Miami Herald* of July 14. Written by the *Herald*'s Latin America commentator, Andrés Oppenheimer (who is closely identified with the Washington, D.C. think-tank Inter-American Dialogue), the column takes the form of an imaginary State Department official's advisory to U.S. Secretary of State Colin Powell. Latin America "is in serious trouble," warns Oppenheimer. According to a recent poll, "a majority of Presidents in the region are below the 30% popularity rate that pollsters consider necessary to lead effective governments." Oppenheimer names among these Presidents, Argentina's Eduardo Duhalde, Bolivia's Jorge Quiroga, Colombia's Andrés Pastrana, Ecuador's Gustavo Noboa, Peru's Alejandro Toledo, Uruguay's Jorge Batlle, and Venezuela's Hugo Chávez. He says the continent's political parties "are equally discredited," and urges that Washington must "de-emphasize our calls for more privatizations and government cuts," among other things. Otherwise, he warns, "Latin America is becoming a fertile breeding ground for messianic dictators."

The same nervous line is echoed by *New York Times* reporter Juan Forero, in a July 13 article which presents the Peruvian civic strikes that toppled PPK, as exemplary of a groundswell of resistance in Ibero-America to "the decade-old experiment with free-market capitalism." Forero reviews the growing "revulsion wtih market-led market orthodoxy" in countries from Peru to Paraguay, from Brazil to Bolivia, from Ecuador to Venezuela, and cites one worried New York analyst, "Perhaps we have come to the end of an era. That we are closing the door on what was an unsuccessful attempt at orthodox economic reforms at the end of the '90s."

These critics, however, urge little more than a re-packaging of the same failed policies. Oppenheimer, for example, can merely advise a "refocussing" of U.S. policy on "greater exports and open trade," "more active public diplomacy," and "democratic political solutions . . . that can assure more effective governance." Like the new faces in Toledo's Cabinet, such "advice" only promises more of the same.

The Other Security Risk

Drug Shortages Plague United States

Part 1, by Linda Everett

While the attention of U.S. officials is focused on stockpiling drugs in the event of a biochemical terrorist attack, millions of Americans experience the real problem: their lives and health are imperilled by shortages or inaccessibility of essential and commonly used pharmaceutical drugs. Federal government officials joined the American Society of Health System Pharmacists, the American Medical Association (AMA), the American Hospital Association, and high-level representatives of the pharmaceutical industry July 12, for a closed-door meeting on what can only be called America's other national security risk—the growing shortages of critically needed hospital drug products and childhood vaccines.

This is the first of several articles about the complex causes and impact of this crisis, which has at its core the profit-driven "shareholder values" of the pharmaceutical industry, the most lucrative industry in the country, with profit margins in 2000 four times those of the average Fortune 500 companies. Major drug manufacturers are key to the shortages of scores of life-saving drugs, everything from hemophilia medicines to certain surgical anesthesia and antibiotics. Their policies are endangering every sector of the population, from the youngest to the oldest—no matter what their financial means.

Overcoming Scourges of Nature

This crisis results from an unbridled "free market" largely outside the purview of the U.S. Food and Drug Administration—one whole department of which is now targeted for privatization, thereby worsening the problem.

Given Democratic Presidential pre-candidate Lyndon LaRouche's proposed financial reorganization, the United States has the capability to trigger an explosion in pharmacological and biomedical discoveries as part of an overall scientific/high-technology-oriented "arsenal of democracy" (see the LaRouche in 2004 campaign's Special Report, *Economics: At the End of a Delusion*). Infrastructure production for new pharmaceutical manufacturing plants is necessary, along with new and continual upgrading of existing plants, and can be financed by low-interest government credit. In combination with entrepreneurial investments, this can assure production of "unprofitable" drugs, like vaccines and "orphan" drugs (those dropped because the lives of only a small number of people depend on them) without which this