

## LETTER FROM LIMA BY MIRKO LAUER



**It is eight in the morning. My wife and I are in a queue behind twenty-five other cars, slowly pushing our 1974 Volkswagen towards a gas station,**

where each sale is limited to five gallons. Two days ago the workers of Petroperu, the State's oil monopoly, went on strike demanding pay raises. So fuel is just reappearing on the market. A new oil workers' strike is announced for next week.

Around us the first dollar dealers are appearing on the sidewalks, pocket calculator in hand, waiting for the early customers. The day's exchange rate is 430,000 Intis to the dollar. As we reach the end of the queue, almost one hour later, we change a US\$10 bill, enough money for seven gallons. At home we had no electricity today and, since our building uses an electric pump, no water until six in the afternoon. Some neighbourhoods can go weeks without electricity or water. Many shantytowns get their electricity through illegal connections and buy their water by the canister.

After ten years of blackouts in the main cities, the blowing up of high-voltage pylons by Sendero Luminoso (the Maoist Shining Path guerillas who have caused 19,500 deaths and \$17 billion in material damages – almost equal to Peru's foreign debt – since they first emerged in May 1980) hardly makes it to the inner pages of the local newspapers. Even the news of dozens of soldiers or campesinos dead in confrontations with Sendero Luminoso every month receive grudging attention from the population.

Under President Fujimori's (elected on 28 July) government adjustment plan, which has slashed incomes by seventy-five percent, people fear the new electricity rates more than the power-cuts or Sendero Luminoso manoeuvres in the provinces. Electricity rates increased by five hundred percent for domestic use of over thirty KW a week, and water rates increased

by more than eight hundred percent. Ex-President Fernando Belaunde, who lives in a small apartment, went on TV in September to complain about his 50 million Inti (about US\$135 at that moment) August electricity bill.

The same day that the Petroperu workers went on strike, the minister of Energy and Mining, a member of the Socialist Left coalition, announced that to meet Electrolima workers' salary demands a further four hundred percent hike

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in electricity bills would be necessary. Most of the larger unions are discussing salary increases now, and all public services see rate increases as their only way out of insolvency. So the prospect of a wave of strikes and shortages is the clearest sign that after one hundred days of sailing in what most Peruvians still consider the right direction – adjustment along IMF and World Bank guidelines – the government is now bracing for a new bout with inflation.

After forty to fifty percent a month inflation in Alan Garcia's final semester as President (1985 to July 1990), and compared to the 397 percent price jump which reflected Fujimori's anti-inflation drive, people may still consider the fifteen percent price increase this October mild. But it is nearly double the September figure, and caused a four-fold increase in food prices for Peru's poor.

So a new, restless mood is setting in as the population realises that in the aftermath of the August

shock, they face the same basic problems. "All this suffering for nothing" is a frequent remark. Fujimori's government admits that the number of Peruvians at the extreme poverty level has increased from seven to twelve million since coming to power, out of a total population of twenty-three million.

The government's first reaction to the resurgence of inflation has been to condemn private monopolies in the food business and announce the liberalization of imports. One serious weakness in the Fujimori adjustment plan is that cocaine paste exports pour around one billion dollars in cash into the Peruvian economy and keep the Inti higher than the local ex-

porters' stated needs. Up until now the Central Bank has managed to boost the dollar exchange rate from 300,000 to 430,000 Intis by buying close to US\$10 million a day from private banks, who in turn pick up their dollars on the street. Now the Central Bank will try to hoist the exchange rate by unloading reserves into the hands of the importers.

Local producers have not protested this new scheme as yet. In part because they fear that criticism of Fujimori's programme will bring a return of populist politics and controls of the economy, and also because they have no qualms about starting to import what they had been producing. The population believes that a more liberal import policy will translate into cheaper goods. An example frequently cited these days is tires. The two local producers, both multinational companies, were selling them for US\$70 each before imports forced the price down by half.

Another widespread, albeit unfounded, belief is that Peru's re-

turn to the fold of the international financial community will make funds available to relieve the crisis situation. Peru has started making down payments on its external debt (former President Alan Garcia refused to make debt payments causing Peru to fall out of grace with the IMF and World Bank), but government officials concede in private that they expect no significant loans from outside before the second half of 1991.

So far, Fujimori has managed to prevent the development of serious opposition through a sort of political judo, which consists of playing all sectors against each other. A lack of significant protest on the streets has given Fujimori ample room to develop his own presidential style, to the extent that he has enhanced his reputation as a pragmatist and a creator of unlikely alliances. One effect of Fujimori's luck so far is that all political and institutional forces seem eager to collaborate in his current struggle against inflation.

Fujimori's Prime Minister comes from the Right and several of his ministers from the Left. Most of his proposals are being pushed through Congress by an alliance between his Cambio 90 movement, the Centre-right APRA (American Popular Revolutionary Alliance which came to power for the first time in its fifty year history with Alan Garcia) and a segment of the Left. And since coming to power he has established close ties with the military.

Last week the Minister of Agriculture, another Socialist Left member, resigned after hearing from the Prime Minister that the funds earmarked for financing local agriculture would go to food imports. But even as he was taking leave from the government, he urged his party and the rest of the population to stay on the government's side. □

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