Wall Street hails Peru's economic "reforms"

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With great enthusiasm *El Comercio* —the newspaper most representative of the Peruvian national bourgeoisie—announced last week that Moody's, the Wall Street rating agency, had upgraded Peru's debt by two notches, bringing it to the investment grade level of A3. This puts Peru on a par with Mexico and ahead of Colombia, Argentina and Brazil, countries with larger and more diversified economies. It trails only Chile in the Latin American region.

According to the newspaper, "Moody's decision is based on the strengthening of fiscal accounts and projections that GDP will increase." Furthermore, Moody's assigned Peru a "stable" rating.

The catalyst for Moody's decision was the approval by the Peruvian Congress of new economic measures aimed at promoting investments and favoring private enterprises by relaxing environmental protection laws and pardoning billions of US dollars in past taxes.

The package has been presented by the government of President Ollanta Humala as a measure to fight economic deceleration. Minister of Economics and Finance Luis Miguel Castilla, a former World Bank officer and Wall Street's man in the Peruvian cabinet, said that the government plans to make the tax cuts—which pardon some $7.3 billion (20 billion soles)—permanent, arguing that Peru's tax rate is too high for its current stage of development.

In its *Portafolio* section , written for the business community, *El Comercio* adds: "Despite the cyclical slowdown of economic activity and the fall in prices of key commodities, diversification of tax revenue has helped to strengthen the fiscal health of the country."

Chief economist Hugo Perea of the Spanish bank BBVA, with a large presence in Peru, defended Moody's outlook, saying "the current deceleration of the economy is not long term," but rather "a temporary blip."

There is nothing "cyclical" or "temporary" about Peru's economic slowdown. The figures quoted by Moody's and bank analysts are overly optimistic and go against the long-term economic slowdown of world capitalism.

Moody's estimates a 6 percent growth for 2015-2016, expected to reach 5 percent by the end of this year. Just one week ago, Humala's administration had lowered GDP estimates to 4.76 percent for 2014, below the original estimate of 5.5 percent.

Neither lower prices for mineral exports, nor lower export volume to China, can be controlled by future economic packages.

Another facet of the so-called "reforms" is the Law on Safety and Health at Work, which was crafted to reduce business costs.

There was significant opposition to the package from a cabinet member and international organizations. The minister of the environment, Manuel Pulgar-Vidal, voted against the bill because it contains proposals for "flexible" environmental measures that have alarmed environmental activists and even the United Nations.

In an interview with state television, Pulgar-Vidal recognized that there is a "business sector" that has influence in government and wants to "weaken the office of environmental assessment and environmental audit and certification; repeal standards and environmental requirements," among other pro-corporate aims.

A month ago, Minister of Energy and Mines Eleodoro Mayorga commented cynically that since its creation, the Ministry of the Environment (MINAM) has functioned as a "speed bump" for investments. "Investors do not come to Peru to perform operations, but to solve (bureaucratic) problems," Mayorga told a conference on mining exploration.

In the television interview, Pulgar-Vidal said lobbyists for Yanacocha mining (a joint venture of the Peruvian company Buenaventura and the US-based

Newmont Mining) have tried to present bills to weaken the Organization Assessment and Environmental Control (OEFA) office. Yanacocha, whose US$5 billion Conga project in the Cajamarca region was halted by popular mobilizations against the environmental threat that it poses, is the company that has been second most penalized by OEFA.

In a joint statement, almost one hundred NGOs, environmental organizations and regional officials voiced their opposition to the new measures. “Weakening of institutional and environmental standards will jeopardize the environment and create social conflict,” it said.

The executive secretary of the National Human Rights Coordinator, Rocío Silva Santisteban, called a protest in late June against the new economic measures being prepared by Humala’s administration. She accused the government of wanting to “repeat the 40 deaths in social conflicts,” referring to the 2009 massacre of indigenous protesters who were seeking to block energy exploration in the Amazonian province of Bagua.

Moody’s rating increase amounts to praise for the Humala government for defending foreign capital’s free hand in exploiting Peru’s natural resources and disregarding the environmental impact. Once again, the rating agency acts at the service of US imperialism.

During the subprime bubble, Moody’s and other rating agencies shamelessly rubber-stamped as triple-A debt that they knew in the long run was junk. And after the near financial debacle in the fall of 2008, they followed Wall Street’s mandate to downgrade US government debt in order to increase pressure for keeping low interest rates, providing cheap funds to continue speculating in the financial markets at the expense of high unemployment and low wages.

The reaction from some quarters of Wall Street has been cautious. *Gestion* reports, “Peru’s country risk rose two basis points to 1.46 percentage points yesterday (adjusted after closing) to 1.48 points today, according to the EMBI + Peru estimated by investment bank JP Morgan.” In spite of the credit upgrade, Wall Street wants to make sure that there will be no retreat from the government “reforms.”

The assessment by JP Morgan suggests that finance capital is not totally blind to the enormous socioeconomic problems that can erupt at any time in Peru.