

Peru's new president Vizcarra joins with Fujimorista opposition to impose austerity

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It has been two months since right-wing Peruvian President Pedro Pablo Kuczynski was forced to resign amidst a scandal over his buying votes to avoid an impeachment that was triggered by Kuczynski's connections to the region-wide Odebrecht scandal. Vice-president Martin Vizcarra assumed power, while Mercedes Araoz remains as second vice-president.

Vizcarra appointed as his prime minister Cesar Villanueva, a former prime minister under the previous government of Ollanta Humala and congressman of the Alianza por el Progreso caucus headed by right-wing millionaire populist Cesar Acuña. Kuczynski himself has charged that Villanueva was one of the main plotters who forced his resignation and that he had been in closed-door talks with other parties negotiating deals for a post-resignation government.

Since then, the Vizcarra-Villanueva government has proven that Kuczynski's removal was necessary for the ruling elite in order to impose new rounds of cuts to government spending and new taxes upon the working population, which are being demanded by international finance.

Prior to becoming Kuczynski's vice-president, Vizcarra had been regional president of the southern Moquegua region, one of the country's smallest provinces, whose economic life—as in most Peruvian regions—is dominated by the activities of mining multinationals (in Moquegua's case, Southern Copper owned by Grupo Mexico).

After the revelations that Odebrecht had been bribing virtually the entire Peruvian political establishment and Kuczynski's fall from grace, the whole bourgeois media (both from the “left” and the right) has been trying to cultivate Vizcarra's image, presenting him as more of a “common man”. This is in contrast to Kuczynski, a son of European immigrants who, having spent decades working in Wall Street investment banking, held US citizenship until he renounced it in 2015 to run for president. The media has celebrated Vizcarra's achieving a 57 percent approval rating when he took office.

In the first few days in power, the Vizcarra-Villanueva government entered into negotiations with the *fujimorista* Fuerza Popular (FP), the right wing party that controls Congress with an absolute majority of 61 seats, and whose obstructionist tactics had led to the isolation and eventual fall of Kuczynski's government.

A truce was achieved between the two parties. FP agreed to give the new government a motion of confidence and approve its demand for special powers to execute a list of measures to

“reactivate the economy, make changes in the North's reconstruction (after the devastating floods early last year), fight against corruption, modernize the state and protect vulnerable populations”.

In return, the executive power agreed to grant Congress (and therefore FP) wider legislative powers and promised not to abolish Kuczynski's pardon for Alberto Fujimori. The former president, and father of the current FP leader, had been serving a 25-year prison sentence for human rights abuses and corruption before being freed by Kuczynski last Christmas in a filthy deal to gain votes in order to survive a previous impeachment vote.

Vizcarra and Villanueva both defended their decision to establish friendlier ties with the *fujimoristas*, arguing that “confrontation” with them would lead to disaster. The move was nonetheless criticized by the pseudo-left as another indication that the *fujimoristas* have “kidnapped” the government and are manipulating its decision-making, just as they did, according to them, under Kuczynski.

Keiko Fujimori, the leader of FP and Alberto's daughter who lost to Kuczynski in the last elections in 2016, reportedly accepted a non-obstructive relationship with the new executive in a bid to shed her image as a revanchist and vindictive leader in order to improve her chances in the next presidential election in 2021. According to reports, Fujimori's approval rating has plummeted in the last months to 18 percent and trails behind two political newcomers: the right-wing Julio Guzmán and the current face of the pseudo-left, Verónica Mendoza.

Fujimori's image was also hit by the revelations that she—as most presidential candidates in Peru—received bribes from Odebrecht and by the never-ending corruption scandals implicating FP members.

The *fujimorista* movement, it should be recalled, is probably the only political party that retains—at least until now—a modicum of support within the working class. As most left-wing parties and movements lost support and disintegrated in the 90s, Fujimori's government exploited this vacuum with populist measures that created a constituency. Nowadays, Keiko Fujimori exploits this legacy, which is combined with right-wing policies such as a war on crime.

Once assured that FP would not interfere with their policies for the moment, the government, in early May, announced cuts in government spending and new taxes. Vizcarra approved a decree that would cut the equivalent of US\$295 million in current

government spending. Each ministry and department is to come up with a new budget adjusted to these cuts for next year.

Vizcarra and his Minister of Economy David Tuesta (former officer of one of Peru's biggest banks) then announced a tax increase on carbonated drinks, alcoholic beverages, cigarettes, cars and diesel fuel. They argued that, along with the cuts in government spending, the new taxes were necessary to close a fiscal gap of nearly US\$2 billion. Liliana Rojas Suarez, an influential economist, stated in an interview with *El Comercio*, that "the government is aware that international finance markets are observing the fiscal situation in countries. That's why it is correct that they need to fix the budget deficit".

Tuesta said in an interview that since 2011, fiscal income had declined, but admitted that 50 percent of that was attributable to a fall in the price of minerals (Peru's biggest exports), and the rest was due to a decrease in tax collection.

In Peru, as with most undeveloped countries, giant multinationals—supported by imperialism—reject even the most minimal taxes. It is public knowledge that the state allows tax exemption for mining multinationals, private universities, private insurance companies, banks, casinos and other businesses. The money these capitalist endeavors should be paying to the state could cover the fiscal deficit many times over.

After these announcements, Tuesta then declared a new income tax on all those who earn less than S/. 2,000 (US\$ 600) a month. Given that the minimum wage in Peru is S/.1000, the new tax income would fall upon the shoulders of the majority of Peruvians who struggle to live under terrible economic conditions. In the upside-down world created by modern capitalism, it is those who earn less who must be taxed more.

After this announcement, Pedro Francke, a political and economic analyst associated with the pseudo-left, wrote an article titled "Vizcarra is playing with fire", in which he bemoans Tuesta's decision to impose the new income tax on top of other regressive tax hikes. He then describes the deteriorating state of the economy: in April, economists declared that poverty in Peru had increased for the first time in at least a decade, with 375,000 Peruvians falling in the last years under the poverty line. Meanwhile, unemployment has risen, with 424,000 jobs lost during this and last year. Francke claims that all of this "would have been a front-page headline in any other country".

"Vizcarra ought to watch this situation very carefully", he warns, calling attention to Kuczynski's fate: "[...] He was indifferent to a similar situation and the deterioration of the economy brought his popularity to the floor and we know what happened next".

Bus drivers and teamsters initiated a strike at the end of last month, which began in the city of Cuzco and extended to other cities in the south. They struck against the increased tax on diesel fuel and the proposed income tax.

The strike and the massive opposition towards the new taxes shook the government and made it retreat. Tuesta and others in the government issued contradictory statements about their proposed plans. He wanted to continue with the new taxes but the rest of the government was already announcing the cancellation of the new income tax and the reduction of other tax hikes. Then the Ministry of Transportation and Communications unilaterally announced a

reduction in the new diesel fuel tax in an accord with the transportation workers' union. Tuesta went to speak personally with the president and told him it was a bad message for international finance, but Vizcarra rejected going ahead with the planned hikes. Tuesta resigned a few days later.

The government's sudden retreat on its fiscal agenda in the face of a limited strike has exposed its massive weakness and fragility. Like Kuczynski's administration, it is a government with barely any real support amongst the population, and the new taxes had swiftly driven down Vizcarra's approval ratings, from 52 percent in April to 37 percent in June.

Under these conditions, the pseudo-left is attempting to salvage the new government by not directly confronting Vizcarra. Instead, just as they did when Kuczynski governed, they blame nearly everything on the *fujimorista*-dominated Congress and its influence on the executive branch.

While it is true that Vizcarra and Villanueva have caved to the demands of the *fujimoristas* and are bargaining for their approval of the government's reactionary measures, the notion that the government would be different and "serve the people" should the *fujimoristas* lose control over Congress, is creating a politically toxic and dangerous situation.

Thousands of young people have taken part in protests in the last months demanding that Congress be shut down and new elections be held. While many of the protesters are genuinely disgusted by FP—a haven for semi-criminal elements from the political underworld—and its control of Congress, this is exactly the same thing that Alberto Fujimori himself did in 1992, when he shut down Congress and initiated a semi-dictatorship that lasted until his downfall in 2000.

Allowing the executive power once more to shut down Congress would not do anything to improve democracy in Peru. On the contrary, it would grant the state the power to do whatever it sees fit in the future and embolden the most authoritarian tendencies in the ruling elite (whether they are *fujimoristas* or not).

The pseudo-left's role has consistently been that of subordinating social opposition to the dominance of bourgeois politics. This was the case when they called for a vote for Kuczynski during the last elections in order to defeat Keiko Fujimori. Then the Frente Amplio and Nuevo Peru caucus in Congress defended Kuczynski's government every time it entered into conflict with the *fujimoristas*. They refuse to challenge the whole bourgeois order, instead denouncing only the most right-wing faction—the *fujimoristas*—and giving tacit support first to Kuczynski and now to Vizcarra.



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