

# Peru's beleaguered economy

## The lure of the mines

As in the colonial past, Peru's economic future is once again pinned on mining. When fully developed, the huge Antamina mine in Ancash will be Peru's single most important source of foreign exchange. Situated in the Callejón de Conchucos, Antamina is the country's largest single investment project, and will become one of the world's biggest copper and zinc mines. It is owned by a conglomerate of Canadian, British, and Australian companies. It represents an investment of 2.3 billion dollars, and should add 900 million dollars to Peru's annual export earnings. Antamina follows on the heels of Yanacocha in Cajamarca, owned jointly by Buenaventura of Peru and Newmont Mining of the USA. Yanacocha is Latin America's largest gold mine, and among the world's most profitable. Other international companies are also investing in Peru's resource wealth, taking advantage of the incentives offered to foreign investors by Fujimori. In the energy sector, for instance, foreign companies are pushing ahead with the development of the giant Camisea gas reserves in the jungle to the north of Cuzco.

These projects should raise Peru's export potential substantially over the next ten years, with investment from abroad helping to satisfy its appetite for capital. However, heavier dependence on mining will increase

► *Santa Claus and his reindeer touch down at the Southern Peru (SPCC) mine at Toquepala. SPCC managed to avoid being nationalised during the 1970s, and it is now owned by a Mexican-based company.*



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Peru's vulnerability to fluctuations on the notoriously unstable world metals markets, while in the longer term, profit remittances from Peru to the investing countries may outweigh any new investment. Typically, mining tends to bring little by way of development to the areas where mines are located. There are few linkages into other sectors of the local economy, and modern mining produces few jobs. Many of the mine's needs – including even food for the miners – are imported from abroad. Mining thus creates a much more uneven pattern of growth than, say, agriculture, which generates many more employment spin-offs. And, as we shall see later, mining often brings environmental problems and conflicts with local communities.

From the time of the *conquistadores* onwards, Peru's integration into the world economy has primarily been through its mines. Yet, a century ago, the country had a more diversified range of exports than most in Latin America, reflecting its varied geography and rich endowment of natural resources. Copper mining, concentrated in the central *sierra* in and around Cerro de Pasco, accounted for just over 20 per cent of exports on the eve of the First World War. In the 19th and early 20th centuries, the country experienced short-term booms in other commodities, notably *guano* (seabird droppings, used as a fertiliser) and rubber. Sugar exports represented 15.4 per cent of exports in 1914.

Peru began to promote a manufacturing base in the 1960s and 1970s, rather later than other large Latin American countries. The Velasco government copied the model, employed elsewhere in Latin America, of encouraging 'import-substituting industrialisation' as a way of developing a more balanced economy, and reducing dependence on a handful of export commodities. Protected by high tariffs, Peruvian manufacturers were able to supply local markets without fear of competition from cheap imports. As a consequence, the numbers of firms and people employed in manufacturing increased substantially in these years. At the same time, the state sector took over control of key export industries, principally mining and petroleum, from US-owned multinationals. Thus, the Cerro de Pasco Corporation became Centromin, and the International Petroleum Corporation (IPC) became Petroperú.

Since Velasco, and under international pressure from organisations like the IMF and the World Bank, Peru has been forced to modify this model of state-led development in favour of a more liberal approach, abandoning import substitution for a return to the more traditional model of 'export-led growth'. Privatisation of state companies began under Belaunde (1980-85), but was pursued with much greater vigour under Fujimori (1990-2000). The legislation on foreign investment was revised to make it more attractive to foreign investors, as were tax laws. Controls on capital movements and profit repatriation were eased, and barriers to imports were dismantled. The new model, it was hoped, would generate the export-led growth required for Peru to service its burgeoning foreign debt.

## The burden of debt

One of the main deficiencies of the Velasco model was its failure to hit on sustainable ways of financing development. Bereft of foreign investment, and lacking a self-confident private sector or local capital market, the state became the motor for development. Without a tax system to fund expanded state activities, the Velasco government began to borrow from abroad. At the same time, the international banking system was awash with recycled 'petrodollars' after the 1972 OPEC decision to increase oil prices. Banks were under great pressure to use this glut of money to increase lending. World interest rates were low, and commodity prices generally high. Bankers fell over themselves to offer loans on attractive terms, especially to oil exporters like Peru, with little thought as to the possible longer-term consequences. For their part, the Peruvian authorities, strapped for cash, seized the opportunity. With prices in dollars rising faster than world interest rates (thus reducing the value of debt in real terms), it made a great deal of sense to be a borrower.

Consequently, Peru's foreign debt – like that of many other Latin American countries in these years – ballooned. It increased sevenfold between 1970-79. The increased burden of repaying the debt and the interest due on it rose as a result. In fact, the debt crisis in Peru began in 1975, seven years before Mexico announced in 1982 that it could no longer afford to honour its debts, triggering a crisis across Latin America. As

dollar interest rates began to climb once again in the late 1970s, and commodity prices fell, the attractions of being a borrower diminished. Initially saved from default by the inauguration of the SPCC Cujajone copper mine in Moquegua, the *coup de grâce* for Peru came in 1982 when Mexico defaulted on its repayments. Horrified, international bankers cut off all new lending to Latin America. Peru struggled on for two years, unable to borrow new money to pay off old debts, before finally defaulting in 1984.

▼ This arpillera, or wall-hanging, was sewn by women from Manuela Ramos, a Peruvian NGO. It shows Peru's debt rising as sacks of dollars make their way towards the USA and Europe. While politicians make promises on TV, and the rich dream of Miami, shopping bags are empty, schools and hospitals crumble, and a demonstration demanding higher wages is met by a tank.



John Crabtree

## SUCCESSFUL SMALL EXPORTERS

Not all exporters are multinationals or state concerns. In some areas, with a bit of help, small-scale producers have been able to sell to foreign markets. In Piura, as elsewhere in Peru, coffee is mostly grown on very small-scale, poor family farms, farming only 1-2 hectares of land apiece. With the assistance of

CEPICAFE, a producers' association that defends the interests of growers and provides them with services, coffee growers in Piura have been able to access the export market, bypassing the traditional export houses. They have been able to take advantage of premium markets for organic and fair trade coffee. CEPICAFE has helped producers replant with better quality coffee, providing them with necessary technical assistance. It has raised the incomes of member farmers substantially, encouraging increasing numbers to do likewise. Other similar organisations are working in other coffee-producing areas of the country.



▲ Coffee seedlings, Piura

▼ CEPICAFE growers meet at Pite, in Piura.



FAIR TRADE – A BETTER DEAL FOR  
POOR FARMERS

Fair trade schemes offer Peruvian coffee farmers a 'floor' price for their coffee, of \$125 per 100 lbs (or *quintal*). Not only is this much higher than the world price – which stood at a 30-year low of \$45 per *quintal* at the end of 2001 – but it provides farmers with a guarantee against price fluctuations, the bane of most small-scale commodity producers. Consumers in developed countries pay a small premium for the fairly-traded coffee they buy, but most of the difference in the prices paid to farmers is a result of the elimination of intermediaries. It is these, especially the roasters, who gain most in times of depressed prices. In 2001, fair trade coffee accounted for barely two per cent of exports. Though this proportion is set to rise significantly, fair trade is unlikely to become much more than a specialist niche in the near future.

The debt crisis in Peru was made worse by the poor use to which much of the money had been put. Untrammelled, military spending increased rapidly in the 1970s. Justified at the time by the supposed threat of aggression from Pinochet's Chile, arms spending rose unchecked, and much of this money was wasted through institutional corruption. Pharaonic development projects, such as the Majes project in Arequipa, were based on doubtful cost-benefit calculations. Typically, they cost considerably more than planned, with the main beneficiaries of this over-spending being the foreign construction firms involved. Peruvian exports, stagnant for much of the 1980s, failed completely to keep up with ever-rising debt service requirements.

In 1985, Peru shocked the financial world by announcing that henceforth it would pay no more than ten per cent of the value of its annual exports on debt servicing. Newly-elected on a wave of public hostility to the IMF and its economic policies, President Alan García

decided to confront the international financial community. Although Peru had already entered into default on some of its international loans the previous year, the burden of debt had become unsustainable. García's stance was not as uncompromising as it seemed, however; in the years that followed, Peru paid considerably more than ten per cent. But his up-front position angered international bankers, and they sought to punish Peru, making it an example to the rest of the world of the costs of defiance.

After 1990, under Fujimori, a penitent Peru returned to the international fold, promising to make every effort to repay the debt and to toe the IMF line in future. The hyperinflation and recession of García's last two years in office were a bad advertisement for the case for confrontation. In return for Fujimori's compliance with their policy preferences, the IMF and World Bank agreed to a debt renegotiation. Eventually, Peru was also able to renegotiate debts to foreign governments and the commercial banks. Fujimori made prompt debt repayment one of the unwavering principles of his administration, aware that his social programmes depended on flows of cash from the World Bank and the Inter-American Development Bank (IDB). Debt-servicing continued to absorb a large proportion of government spending, forcing spending cuts in other areas. Meanwhile, Peru continued to contract new loans to pay off the old. At the end of 2000, the total foreign debt stood at \$28.3 billion (the equivalent of 50.5 per cent of GDP, the total value of all goods and services). When Fujimori came to office ten years before, the figure had been \$22.8 billion.

## UNETHICAL DEBT

In order to draw public attention to the corrupt use of debt, in January 2000, in Quito, NGOs from all the Andean countries decided to set up the Andean Debt Tribunal. The Tribunal defined corruptly-used debt as 'illegitimate' and stated that as such, it should not be repaid. Much of the Andean debt had been used for non-productive purposes, such as arms purchases. The Tribunal thus sought to scrutinise debt from an ethical point of view, not just an economic one. Exemplary cases were selected to show how debts had been contracted simply to further private interests, with little or no public benefit. The Peruvian case chosen was the use of loans in 1983 to buy two ships from Italy for the then state-owned shipping company (CPV). These broke down on their maiden voyage and could never be used again. This single example cost the public purse \$90 million.

The role of the Tribunal was given added force when, in August 2001, the Peruvian Congress agreed to set up a commission to look into the uses and abuses of Peruvian debt. Senior public officials under Fujimori were suspected of having used their positions to make money out of the conversion of commercial debt into Brady bonds in 1997. While the formation of the Tribunal has been welcomed as a positive initiative, the work involved in tracing the corrupt use of public debt is still at a preliminary stage.

Total debt-servicing cost the country the equivalent of 45.4 per cent of annual exports in 2000, and absorbed 39 per cent of all government spending that year.

To bolster his reputation in international financial circles, Fujimori sought to avoid any hint that Peru might seek to negotiate some sort of debt reduction. He spurned the activities of the Jubilee 2000 campaign which, backed by the Catholic Church and millions of Peruvians, argued the case for debt relief. As a medium-sized debtor country, Peru was ineligible for debt reduction under the Highly Indebted Poor Country (HIPC) scheme, backed by the World Bank. The World Bank is reluctant to extend debt relief to larger debtor countries, even when, like Peru, they are arguably both 'highly indebted' and 'poor'.

## Fujieconomics: structural adjustment and economic liberalisation

Prodded on by the IMF, most countries in Latin America embarked on economic liberalisation, or 'structural adjustment' as it is known, in the 1980s or 1990s. Few went down this road with greater speed or zeal than Peru under Fujimori. The retreat from the state-centred development model had begun timidly in the early 1980s under Belaunde, only to be reversed by Alan García. The return to orthodoxy began with a vengeance with the so-called 'Fujishock' of August 1990, a massive price adjustment which

sought to stabilise inflation. In the months that lay ahead, other policy changes followed thick and fast. The main architect of this transformation was Carlos Boloña, Fujimori's finance minister after 1991. Boloña, most agree, was more of a *'fondomonetarista'* (an enthusiastic apologist for the IMF and its policies) than the IMF itself.

At the core of policy was the belief that state intervention should be pared back to the minimum, and that the private sector should drive the economy. Prices, in particular, should be determined by unfettered market forces, not by state intervention. This *laissez-faire* philosophy harked back to the liberalism of the past, and for this reason was labelled 'neo-liberalism'. Neo-liberal policies included the sale of most of Peru's state companies, or their closure where no-one wanted to buy them. Between 1990-95, the majority of public companies – including interests in mines,



▲ Over the last decade, Lima has seen an invasion of casinos, the result of liberalisation of the gaming laws under Fujimori. Slot machines are a lure for those desperate to win a quick buck; but the casinos are the real winners.

Susana Pastor

banking, telecommunications, electricity providers, and other utilities – were privatised. Structural adjustment also involved a radical overhaul of those activities that remained in state hands. In some cases, such as the tax office (SUNAT), the old structures were simply closed down and replaced by new ones.

Insofar as the outside world was concerned, structural adjustment involved adopting policies to encourage free trade and to attract foreign investment. The basic idea was to promote export growth and inward investment, generating foreign exchange to make it easier to service the foreign debt. To this end, Peru sharply reduced the tariffs it imposed on imports, and removed all other non-tariff barriers like prohibitions and quotas. In 1990, tariffs averaged 56 per cent; the following year they were lowered to two basic rates of 15 per cent and 25 per cent. By 1996 they had dropped to levels well below those of other Andean countries. The effects of trade liberalisation were enhanced by the government's exchange rate policy. After a large initial devaluation in 1990, the Peruvian *sol* appreciated against the US dollar for much of the 1990s, exposing local producers to ever greater foreign competition. The government's aim was to prevent any resurgence of inflation and make business more internationally competitive.

Fujimori's economic policies were successful in eliminating inflation. This peaked in 1990 at a staggering 7650 per cent, but fell swiftly in the years that followed. In 2001, prices rose by only 3.7 per cent. Although the Fujishock hit people hard in the short-term, the slowdown in inflation brought relief longer-term, especially to people on lower incomes whose meagre earnings had been whittled away in real terms by rampant inflation. From 1993-97, Fujimori was also successful in restoring economic growth. Nevertheless, this represented only a partial recovery from the downturn of the late 1980s. GDP per head of the population in 1997 was still well below its rate of ten years earlier. Within the international financial community, Fujimori's 'success' was enthusiastically interpreted as a vindication of neoliberal economics, and a cautionary tale for other governments that might be tempted to confront their creditors or abandon IMF-backed orthodoxy.

## JUBILEE 2000 – A GLOBAL MOVEMENT TO END DEBT

In 1999, within a space of two months, two million Peruvians signed a petition demanding debt relief for the country. The petition was supported by the Catholic Church, whose Bishops' Conference took the lead locally in spearheading the international Jubilee 2000 campaign. According to Laura Vargas of the Church's Social Action office (CEAS), the topic of debt had been 'taboo' since Alan García's time. She claims that the campaign turned debt 'from an issue for economists into an issue for housewives', adding that, 'It was much more successful than we had ever imagined, with everyone supporting it apart from the banks and the government.' CEAS calculates that \$16 billion left Peru in debt-servicing between 1990 and 2000, while new debt totalled \$13 billion (of which most went on repaying old debts). The value of the campaign lay mainly in raising awareness and getting large numbers of people involved. 'It encouraged us to be part of a global movement,' says Vargas, 'and to be able to question the way the world works.' Fujimori ignored the Jubilee petition and its

recommendations, but Toledo said that he would seek to renegotiate Peru's debts. Twelve months into his five-year term, however, there were few signs of this happening.

In other respects, 'Fujieconomics' were less of a resounding success. Although Peru's exports increased, they were hardly an advertisement for 'export-led growth'. They stood at just over \$6 billion at the end of the 1990s, only twice their level 20 years earlier. Exports in other countries, such as Colombia and Chile, had increased much faster. Incomes recovered some of their purchasing power as inflation slowed, but in the late 1990s they remained depressed: salaries for white-collar workers in greater Lima rose slightly in real terms, while wages for blue-collar workers slumped.



Susana Pastor

▲ *Workers made redundant from the judiciary are on hunger strike in front of the Palace of Justice. They demand reposición – re-instatement in their jobs.*

▼ *Money changers sporting dollar signs are a frequent sight in Lima. Most wealthy Peruvians prefer to keep their money in dollars.*



Susana Pastor

The neo-liberal recipe was found most wanting in the area of job creation. Even in the 1980s, the labour market was characterised by a large ‘informal sector’, with people working long hours in precarious conditions without employment contracts, access to collective bargaining, or social security entitlements. With the economic collapse of the late 1980s, the numbers working in the informal sector grew swiftly. This was particularly the case for women, whose involvement in the informal sector is reckoned to have increased from 37 per cent in 1984 to 52 per cent in 1993.

The renewal of growth in the 1990s did not bring with it an increase in formal sector employment. Instead, the closure of manufacturing plants under the weight of cheap imports, and job losses as a result of privatisation and rationalisation, turned the job market into one of cut-throat competition between those looking for work.

According to Juan Carlos Vargas from PLADES, an NGO that provides advice to trade unions, as many as 750,000 public sector workers lost their jobs during the 1990s. Dismissals were made easier as a result of changes to the labour code that reduced workers’ rights. Often among the first to go were ‘troublesome’ union organisers. Labour reforms under Fujimori removed some of the limits on working hours, and reduced employees’ rights to claim indemnities for dismissal.

Patterns of employment were changing in other ways. In service industries in particular, women tended to replace male employees. Many employers chose to hire female workers because they believed them to be less likely to form unions, and because they could pay them lower wages. At the same time, labour reforms meant that women lost the right to claim maternity leave or to refuse to work at nights, on Sundays, and on public holidays. The 1993 constitution removed the principle – never heeded in practice – of equal pay for men and women.

It is difficult to establish with any precision the number of Peruvians who enjoy full employment rights. The official labour ministry figures suggest that those ‘adequately employed’ represented just under half of the workforce in 2000. But according to Carmen Vildoso, the vice-minister of labour, the informal sector – defined as ‘unqualified independent labourers’ – represented 60 per cent of the workforce at the end of 2001.

#### BUILDING A FAMILY BUSINESS

Raúl Villegas and Marta Oré make underwear on the roof of their house in the San Fernando neighbourhood of San Juan de Lurigancho in Lima. They live close to the point where the valley sides become so steep that not even the poorest family can perch a house there. They started three years ago. At the beginning, they would make goods three days a week, and then spend the rest of the time trying to sell them. When we visited, the whole family was at work. A consignment of bright yellow men’s briefs was being readied for dispatch to Bagua and Jaén in the north of Peru. As well as relying on their own dynamism to sell their wares, Raúl and Marta are part of a network of contacts through the local evangelical church community. ‘We had no experience at all at the beginning,’ Raúl says, ‘and we made lots of mistakes.’ Over the last two years they have doubled their output, even though prices have fallen. Raúl and Marta have received working capital and business advice from INPET, an NGO working in San Juan.



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To stimulate informal employment, the Toledo administration unveiled its *A Trabajar* ('To Work') programme at the end of 2001, promising to provide temporary employment to 270,000 workers (in both urban and rural areas) over two years. It remains to be seen how successful *A Trabajar* will be. A similar make-work programme introduced by García took people off the streets, but failed to increase their skills or improve their chances in the job market. When the scheme ended, those 'employed' returned to the streets. Moreover, the scheme became a thinly-veiled mechanism for building support for the then ruling APRA party among the urban poor.

The Fujimori years also failed to make much impact on poverty, despite the fact that the Fujimori government spent large sums of money on poverty relief. Figures from official household surveys between 1985-2000 suggest that 54 per cent of the population were living in poverty (under a poverty line equivalent to roughly \$2 a day) in 2000, compared with 41.6 per cent in 1985. Poverty rates increased greatly at the end of the 1980s, largely because of hyperinflation. In 1991, the rate was 57.4 per cent, falling to 50.7 per cent in 1997, but rising once again in the last three years of the decade. In 1985, 18.4 per cent of the population lived in extreme poverty (earning less than \$1 a day), increasing to 26.8 per cent in 1991, but falling back to 24.4 per cent in 2001. Though the best available, these figures should be taken with a pinch of salt. Measuring income is not necessarily the best way of gauging poverty, especially in a country where many people are subsistence farmers. Moreover, a study conducted by the National Statistics Institute in 2001 (after Fujimori's fall) suggested that earlier poverty figures had been deliberately massaged by the authorities to give a positive spin to government policy.

The fall in levels of extreme poverty at the end of the 1990s reflects the impact of the Fujimori government's food assistance and temporary work programmes. When he launched the government's four-year Targeted Strategy to Fight Extreme Poverty (1996-2000), Fujimori promised to halve the number of people living in extreme poverty over this period. The strategy involved building schools and health posts in rural areas, building roads and irrigation systems, and providing food assistance and birth control facilities. It was criticised for failing to help poor farmers produce more, or market their crops better, and there was widespread concern that once the government spending stopped, people would be no better off. Social spending in rural areas had a clear political purpose. The dramatic increase in spending prior to his 1995 presidential victory brought Fujimori immediate political dividends. Also, in the build-up to the 2000 elections, many people complained bitterly that state officials threatened to suspend assistance unless voters came out openly to support Fujimori's second re-election campaign. As we have seen, seven out of every ten Peruvian families were in receipt of food aid of one sort or another at the time of the 2000 elections.

## COMEDORES: CATERING FOR THE COMMUNITY



There are some 3500 *comedores* (community kitchens) in Lima, providing cheap food to communities where people could not otherwise afford to eat enough. There are also *comedores* in many other cities. They cater for community members on the lowest incomes. The vast majority of the workers in the *comedores* are women. They do not receive payment, although they and their families can eat for free. The *comedores* work on a shoestring budget. They receive donations of basic foods, usually rice, beans, and cooking oil, from PRONAA, the government food aid agency. The rest they buy themselves in the local market each day, though some buy direct from producers as far away as Huancayo, high in the Andes. The day we visited the *Cinco de Mayo* ('Fifth of May') *comedor* in Pamplona Alta in southern Lima, the menu consisted of corn-mash soup, mashed potato, and meat stew. Anita Teves Quispe, that day's cook, was expecting to feed 120 people at lunchtime. There are five other *comedores* in the district, each providing lunches six days a week. A meal costs a *sol* (20 pence), but is usually given free to schoolchildren and the elderly. 'We have to strike a balance between quality and people's ability to pay,' says Anita.

Rapid increase in the number of *comedores* took place in the late 1980s as rapid inflation eroded people's incomes. In many districts, they became the main defence against widespread hunger in poor neighbourhoods. Since then, they have become a permanent feature of urban life. For many women, working in a *comedor* is a stepping stone to participation in other kinds of community organisation. Some of the women we spoke to work in the *comedor* in the morning, and attend training sessions in the afternoon, where they learn other new skills.

### Growing inequalities

The impact of economic liberalisation on inequality is even harder to measure than its impact on poverty. However, studies suggest that inequality became more marked during the 1990s, because the benefits of resumed growth in the economy were very unequally shared. One economic measure of inequality is the 'Gini coefficient'. The nearer the coefficient is towards 100, the greater the degree of inequality in a given population. According to *Cuanto*, a private firm that gathers statistics, the Peruvian Gini coefficient for 1999 was 46.2. In 1994 it had been 44.9. A coefficient of 46.2 is a high figure, placing Peru roughly on a par with Kenya or Madagascar in Africa. This increase in inequality is due less to the fact that the poor became poorer, but that the wealthiest sectors flourished. Economic liberalisation, especially privatisation, generated lucrative business opportunities for a few. The growth in the number of luxury homes in districts like Monterico is indicative of this. Meanwhile,

► Subsistence farmers in Huayllay take part in a faena, or communal work party. Community members aged from eight to 60 work together to plough and sow the communal fields.

Susana Pastor



a tax system weighted heavily towards taxes on consumption rather than on income or profit, means that there is little redistribution of this wealth. The wealthiest sectors of Peruvian society are adept at avoiding tax payment, even though steps were taken by Fujimori to tighten up on tax evasion. One of the worst-hit sectors was the middle class. Always fairly small in Peru, its living standards fell because of the decline in public sector employment, and the contraction of domestic industry.

### **Liberalisation and agriculture**

Agriculture provides a fragile living for a large proportion of Peru's poor. The vast majority of farmers have little land, and no permanent access to water. Many remain largely or wholly subsistence farmers, although those reliant on selling agricultural goods to urban markets have increased greatly in recent decades. The productivity of agriculture varies a great deal from one part of the country to another. It is much higher in the irrigated valleys of the coast than in the highlands. For example, in Puno in the *sierra*, the average yield for potatoes is six tonnes per hectare; in Ica, on the coast, a hectare produces as much as 45 tonnes. Agricultural production is volatile for two key reasons. The first is climatic. Peru's exposure to the *El Niño* weather phenomenon has a direct – and sometimes dramatic – impact on agriculture, upsetting normal rainfall patterns and causing flooding or drought. The second reason is variation in demand for food. Since 1970, Peru has undergone extremes of macroeconomic volatility with periodic downturns in people's living standards. As incomes fall, especially among the poor, demand for food slumps, and agricultural prices decline.

## THE POTATO

The potato, it is sometimes said, is Peru's single most important contribution to world agriculture. The Spanish *conquistadores* first brought the potato to Europe at the end of the 16th century as a botanical curiosity. By the 19th century, it had become one of Europe's major staples, and today, global annual potato production is around 300 million tonnes. Peruvians have been growing potatoes for at least 8000 years, and the potato is still the most important crop for the Andean peasant producer. Reputedly, there are some 3800 varieties available, more than in any other country in the world. Peru is also the original home of the sweet potato, and a variety of tubers and roots.

The potato has great nutritional value, and a single medium-sized potato contains about a half an adult's daily requirement of vitamin C, as well as more proteins and calcium than other staples. Yet in Peru, it forms an increasingly small part of most people's diet. It is being displaced by wheat and rice, much of which is imported. Even some potatoes are now imported, for instance those used for chips in fast-food outlets.

It is difficult to disentangle the effects of economic liberalisation from these other factors, but it is clear that trade liberalisation – in conjunction with the overvalued currency – had a marked effect on agricultural prices in the 1990s. This is not so much because agricultural exports increased, but because imports rose steeply, undercutting Peruvian farmers. With imports now accounting for just under half of all food needs, Peruvian agriculture is faced with an ever-decreasing domestic demand for food. Peruvian agriculture produced 200 kg of food per head of the population in the early 1970s, but only 130 kg by the late 1990s.

Agricultural prices experienced a dramatic fall in real terms as a result of the economic difficulties of the late 1980s. Low prices hit all farmers, although those producing mainly for export were less affected. During the 1990s, prices remained depressed even though growth rates in the economy improved. One of the reasons for this was the influx of cheap food from abroad, particularly from North America, which forced local producers to lower their prices. During the 1990s, Peru resorted to importing food products (such as rice, maize, and even potatoes) in which

it is a major producer. At the same time, the liberalisation of food imports has accelerated changes in patterns of consumption. For example, the import of wheat flour (for which all protection was removed in 1998) has helped increase consumption of bread and pasta, at the expense of traditional Andean grains. Even in the *sierra*, consumption of highly nutritious indigenous grains – like quinoa or kiwicha – is fast declining as consumers switch to imported alternatives. This is not just a matter of price, but of changes in consumer preferences and perceptions: eating bread and pasta is associated with 'being urban'. To return to eating quinoa is seen as a step backwards by many recent migrants to the city.

The withdrawal of the state from agriculture is another impact of economic liberalisation felt by Peruvian farmers. In 1991, the Fujimori government closed down the *Banco Agrario* – the state-run rural bank – as part of its policy to wind up state development banks of all sorts. Although the *Banco Agrario* had been corruptly managed, and had never lent to the poorest *campesinos*, its closure removed the only source of credit available to many medium-sized farmers. Commercial banks, the government thought, would fill the hole left by the demise of *Banco Agrario*. In fact, the commercial banks refused to lend to farmers, or offered loans at interest rates that most could not afford.

► Fresh bread comes out of the oven at one of the bakeries in San Juan de Lurigancho. The bakeries were started by groups of women involved in the local comedores. The women received training from CIDIAG, a local NGO, to learn how to market and sell the bread they make.



Annie Bungeoth

▼ Esperanza del Aguila lives in Rioja, on the edge of the jungle. She prepares palm leaves for making sombreros – Latin American-style straw hats. The leaves have been boiling overnight, and Esperanza must spend the morning beating them against a tree to soften them. After a day's drying, she'll send them to the town of Celendín to be made into hats.



Susana Pastor

A second innovation was to get rid of state-run marketing institutions. These had previously bought crops from small-scale farmers at guaranteed prices, or provided subsidised inputs like fertiliser. Finally, the government ended many of the promotional activities carried out by the agriculture ministry, such as extension and veterinary care. The ministry's staff was cut from 23,000 in 1990 to just 5000 in 1996.

Those worst hit by these changes were probably small-scale producers selling direct into the urban market. The dismantling of the coastal co-operatives, originally created by the 1970s agrarian reform, and the division of the land into small individual plots, greatly expanded the numbers of small-scale farmers. During the course of the 1990s, thousands went bankrupt, turning either to other rural activities (like producing handicrafts), or migrating to the cities.

Not all agriculture suffered, however. Those who were able to identify export markets and weather the volatility of international agricultural commodity markets, could do well. One particular boom industry – at least for a while – was asparagus. Peruvian entrepreneurs struck on a niche export market for a product that had never previously been grown in the country. In large areas of the coast, especially in Ica, to the south of Lima, traditional crops like cotton were uprooted and the land replanted with asparagus. In the case of asparagus, the commercial banks were prepared to lend substantial amounts for what looked like a sure-fire success story. Armies of labourers were employed (mostly women) to harvest the crop, usually at very low wages and with meagre working and living conditions. However, like other boom commodities in the past, the asparagus 'bubble' burst.

► Juan Silupu Rivas runs a small carob-processing factory in Locuto, Tambo Grande. The plant produces a range of products derived from carob trees, including honey and carob powder. Its future is placed at risk by the development of mining in Tambo Grande.

Susana Pastor



The industry suffered from over-production, and intense competition from lower-cost rivals like China. The collapse in asparagus prices in the late 1990s brought in its wake bankruptcies and bad debts for the banks.

In other sectors, too, producers were able to open up export opportunities. The fruit growers of the San Lorenzo valley of Piura grow lemons and mangoes which have established a good reputation in the USA and Europe. The farmers in the valley are smallholders who bought land in the 1960s, taking advantage of a World Bank irrigation scheme. Peruvian coffee producers – almost all of whom are small-scale farmers – have also been able to seize export opportunities. However, at the end of the 1990s, many were hit by the collapse of prices in the international coffee market.

### **Coca and the drug economy**

Minerals apart, Peru once had the dubious distinction of inserting itself into the world economy as the largest purveyor of coca, the raw material for cocaine. In response to the huge increase in the use of cocaine in the 1980s in North America, Europe, and other parts of the developed world, production of coca in Peru flourished. Between 1980-86, the total area planted with coca rose from 10,000 to nearly 200,000 hectares. Soaring coca prices made this the crop of choice for many thousands of poor peasant farmers who had moved to the *selva* to escape the political violence and grinding poverty of the *sierra*. At its height, coca provided a living for 50,000 families.

Coca leaves have been cultivated for thousands of years in Peru and Bolivia. Traditionally, rural labourers chew them to stave off the effects of cold, fatigue, and hunger. The coca leaf has a very special place in Andean

## COFFEE DIVIDENDS

Matilde Huamán lives with her husband Alejandro and eight children in La Capilla, a coffee-growing hamlet near Canchaque in Piura. Many of the producers in La Capilla have organised themselves in recent years, with the help of CEPICAFE. At least half of the members of the local coffee growers' association are women. Matilde recounts how she has been using new techniques to improve the quality of her coffee, which she sells to CEPICAFE for export. 'We've all learnt how to prune our coffee plants and get a better harvest. My husband has started germinating coffee and planting seedlings. These are already starting to bear fruit. I have been able to feed my family better. We grow our coffee and give it to CEPICAFE and they sell it for us. When we deliver our coffee, CEPICAFE gives us some money to tide us over. After the harvest, we get a guaranteed price per *quintal* [46 kilos]. Before, we used to sell to private traders for any price we could get. We'd get 120 soles per *quintal*. CEPICAFE pays 180 soles, and this year it will be more, about 220 soles.'



AC Gonzales Vigil

folklore and traditional religious beliefs. Visitors arriving at high altitudes also benefit from infusions made of coca, one of the best palliatives for *oroche*, or altitude sickness. Traditionally, most Peruvian coca was grown in the valleys of La Convención and Lares, areas of *selva alta* in the Cuzco region. However, the new coca plantations (*cocales*) of the 1980s took root further north, mainly in the valley of the River Huallaga. The town of Tingo María, in Huánuco, became the Peruvian coca capital, with *cocales* spreading far and wide down-river into the vicinities of remote and lawless

▼ Women chew coca leaves as they rest.

towns like Aucayacu, Uchiza, and Tocache. This was already drug country when Sendero Luminoso began to operate in the area in the mid-1980s, acting as defender of the coca growers (*cocaleros*), and receiving a pay-off in return. Visitors went to Tocache at their peril; several investigative journalists went there at that time, and never came back.



Susana Pastor

For poor peasants, coca has much to recommend it. It commands a high price in the market, usually much higher than other crops. It is a hardy species that copes well with climatic variation. Best of all, it can be harvested four or five times during the year, so that it provides the growers with a steady stream of income. However, being involved in the coca business has its drawbacks. The relationship between powerful coca purchasers and the small-scale *cocaleros* is often highly exploitative, in addition to which, clandestine coca trafficking activities are associated with violence, variously perpetrated by traffickers (*narcos*), by Sendero, and by

the state itself. As well as violence, the coca economy encourages drinking, prostitution, and – of course – drug consumption in the growing areas. It has disrupted traditional patterns of peasant family life, and generated a new climate of insecurity. As part of the US administration's 'war on drugs', it has become the target for eradication programmes, spearheaded in the Alto Huallaga and other coca-growing zones by USAID.

By the mid-1990s, Peru had lost its status as the world's leading coca producer, as the Colombian drugs mafias began to grow their own leaves. Colombia, not previously a large producer of coca, quickly overtook Peru in terms of output. Coca acreage in Peru peaked in 1992 at around 240,000 hectares, and began to fall thereafter. The decline in Peruvian production was aided by the collapse of *Sendero*, which made it easier for the government in Lima to pursue the eradication and

▼ A street market in Ayacucho. The sacks contain coca leaves, sold for personal consumption amongst the local population.



Susana Pastor

crop substitution programmes demanded by Washington. Output also fell because of the appearance of a fungus that attacked the roots of coca plants, and which spread rapidly through the Alto Huallaga region. Mainly because of the increase in Colombian production, the price of coca fell sharply. As coca became less profitable, peasant farmers became more willing to contemplate farming alternative crops, particularly when this attracted outside assistance and made for a more tranquil existence.

One of the main alternatives to coca was coffee. In the mid-1990s, as coca prices fell, the world price of coffee was in the ascendant. Backed by USAID and others, peasants were given technical assistance to improve the quality and quantity of coffee plantations. These expanded as the area planted with coca shrank, a development applauded in Washington as a sign that the USA was winning the 'war on drugs'. The US government, which had criticised Fujimori's palace coup in 1992, began to warm to *fujimorismo*. Success in decreasing coca production also improved relations between Montesinos and branches of the US government like the Drug Enforcement Administration (DEA), and his old friends at the CIA. Though his methods were somewhat suspect, they seemed to be having some effect. It only became clear later that Montesinos was playing a double game. At the same time as he pursued the eradication programme, he was receiving pay-offs from business-people with an interest in keeping the Peruvian coca industry alive. Many of his colleagues in the armed forces were also on the make.

Success in crop substitution was short-lived. Market prices for coffee beans slumped in the late 1990s, mainly because of a glut in the world

market caused by huge increases in supply from Brazil and Vietnam. Coca prices, meanwhile, began to recover. The average price for a kilo of coca leaves in the 1995-98 period was US\$0.40. By 2000, it had risen to US\$2.80, and at the end of 2001 the price stood at US\$3-3.50 a kilo. By 2001, a hectare of coca would generate roughly ten times the income of a hectare of coffee. In large part, the rise in coca prices was due to the US-backed 'Plan Colombia', one of the effects of which was to encourage Colombian coca purchasers to buy from Peru. The rise in prices led to a sharp increase in coca planting in Peru.

According to US figures, the area planted with coca in Peru increased from 34,100 hectares in 2000 to 52,000 hectares in 2001. Peruvian drug authorities put the 2001 figure at 65,000 hectares, of which 30-35,000 hectares were in the Huallaga region, 18-20,000 in the Apurímac valley further south, and 12,000 in La Convención/

#### IN SEARCH OF GREEN GOLD

The Alto Mayo is one of Peru's best coffee producing areas. The soil is rich, and at around 1350 metres, the altitude is optimal for high-grade coffees. The village of Roque, perched high above the Mayo river, enjoys commanding views over this wide, lush, green valley. The *Oro Verde* ('Green Gold') co-operative is trying to organise workers there to improve the quality of their coffee. But it is a losing battle, because coca is the new 'green gold'. Villagers are selling up and moving down to the Huallaga valley to work on the coca plantations. Even those who stay are finding it increasingly difficult to harvest the coffee crop: labour is scarce, and no-one is willing to harvest coffee. In Roque, and other places like it, households fragment as men migrate to earn money picking coca lower down in the valley, leaving women and children at home to manage the family farm as best they can.

Lares in Cuzco. The US estimates, based mainly on aerial photography, do not take differences in yields fully into account. On the basis of estimated yields, the main production area appears to have shifted to the Apurímac valley (which is unaffected by the coca fungus). Growers there harvest around 2000 kg per hectare, as opposed to 800 kg in Alto Huallaga, and 500 kg in La Convención. According to those working in the Apurímac valley, growers are receiving all the technical advice and financial and other inputs they need from the Colombian *narcos*. At the same time, the cultivation of opium poppies, used for manufacturing heroin, was on the increase in the highland areas of Cajamarca and Piura. Here, too, the clamp-down in Colombia created knock-on effects in Peru.

## CASHING IN



Trucks laden with fruit zig-zag up the serpentine road linking San Francisco, in the Apurímac valley, and the city of Ayacucho. *En route*, they pass through a series of police checkpoints. For local policemen, the checkpoints are the best assignment around, and competition to man them is strong. Following payment of a suitable fee, the lorries' clandestine coca cargoes are waved through, and the police return home feeling well-rewarded.

World Vision, an international evangelical NGO, has worked for many years in the valley of the Apurímac, assisting the return of people to communities abandoned during the violence of the 1980s. In the 1980s, coca production was the only real source of growth in the Ayacuchan economy. In the 1990s, crop substitution money was showered on places like Palmapampa. But by the end of the decade, with coca prices recovering fast, Palmapampa had reverted to its former status as the region's coca capital. *Sendero*, which has maintained a constant presence in the area, is once again active in the

communities of the valley. It poses as a defender of the local *cocaleros* against new inroads by the coca eradicators. According to Víctor Belleza at World Vision, coca eradication is not impossible, but it would require a development strategy that brings industry to the area. 'It would need to go well beyond agriculture', he says, and adds that, 'Ultimately this depends on political will.'

# Affirming rights



## The human cost of war

No-one knows for sure how many people were killed or 'disappeared' during the twelve-year war between Sendero Luminoso and the Peruvian armed forces. What is clear is that the great majority were innocent bystanders caught in the cross-fire of this merciless

▲ During the worst years of violence, many rural people had to seek refuge in the towns and cities, disrupting their traditional ways of life. All through the troubled years, the Pérez family never ceased to hold their annual fiesta, even in exile. As a result, their fiesta is intimately related with the struggle, and with the family's gradual homecoming to their ancestral lands in Sanya, Ayacucho.

conflict. After the collapse of the Fujimori regime, one of the first actions of the interim Paniagua government was to order a Truth and Reconciliation Commission to investigate human rights violations during the conflict period. The Commission began its unsavoury task of piecing together the story shortly after Alejandro Toledo became president in July 2001.

The Commission's brief states that it should investigate all cases of human rights violation between 1980-2000; from the time that Sendero lobbed its first bomb at Chuschi until the end of the Fujimori period. It therefore covers three presidencies: not just that of Alberto Fujimori (1990-2000), but also those of Fernando Belaunde (1980-85) and Alan García (1985-90). A chronology published for this period by DESCO, a research NGO in Lima, claims that there were 24,000 deaths and 4200 'disappearances'. Forty per cent of these killings took place in Ayacucho. This tally is based only on known cases; the real figure is probably much higher. According to José Coronel, an anthropologist who leads the Commission in Ayacucho, new cases of killings were every day coming to light as the Commission started to interview people in the villages affected by violence. 'Almost every community has its own list of those killed or disappeared', he says.

In Ayacucho, as well as in neighbouring Apurímac and Huancavelica, Sendero was responsible for most of the deaths that occurred at higher altitudes. For several years, Sendero was able to establish a 'liberated zone' in the highest, poorest, and most remote communities; local state authorities within the zone were killed or banished. The armed forces

made forays into such areas, but they were intermittent. Where they held sway, *Senderistas* dealt summarily with those who they believed stood in their way. Either people were with them or against them; there was no middle way. The death toll was highest in those parts of the *sierra* where Sendero encountered resistance. This was the case, for instance, in the Razhuilca *massif* to the north of Ayacucho city. The scars borne by the villagers of Huayllay are typical of those of the region as a whole. Sendero terrorised the highland communities to rally support in its war against the Peruvian state. The village of Uchuraccay, close to Huayllay, became famous when eight journalists were killed there in 1983, investigating a story that the locals were turning against Sendero. It was typical of this war, waged far from the capital or other urban centres, that the killings of thousands of peasants attracted little public attention. Human rights violations aroused more controversy and received more media exposure when the victims were city dwellers, not *campesinos*.

The counter-insurgency response to Sendero was to meet violence with violence, terror with terror. Initially, this was the task given to a paramilitary police brigade, known as the '*sinchis*' (*sinchi* means 'all-powerful' in Quechua). The *sinchis* played into Sendero's hands by running amok, and offending local opinion in Ayacucho and other towns through their arbitrary and abusive behaviour. When the *sinchis* failed to curb the insurgency, Belaunde brought in the military in 1982. Political authority was vested in a local military commander with wide-ranging powers to do what he thought best to finish Sendero. The army, and to a lesser extent the marines, took this mandate literally, developing a regime of counter-terror to win back peasant loyalties. Lacking the means to collect systematic intelligence about their adversaries, troops would frequently respond with indiscriminate violence. Soldiers, recruited mainly from the coast, were

encouraged to think of Quechua-speaking *campesinos* as inferior beings. In turn, the troops became targets for attack by a guerrilla enemy they could not identify. On occasions, in retribution, the army resorted to massacring whole communities. 'Disappearances' became common, and torture, rape, and arson were standard practice. In the town of Huanta, two hours

▼ Michel and Samuel Pacheco, from Huayllay, show us how to use the chaquitacla, the traditional digging tool. Michel and Samuel are lucky – their parents are still alive; many children were orphaned during the violence.



Susana Pastor

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north of Ayacucho, the troops became particularly notorious for their abuse of basic human rights. It was to Huanta that villagers from Huayllay were taken, never to return.

### **Massacre at Cayara**

On 14 May 1988, troops arrived at the small town of Cayara, to the south of Ayacucho, by helicopter and road. A few days before, Senderistas had killed four soldiers nearby. The troops tortured and then executed 29 members of the community in revenge, including the local schoolteacher, and a number of schoolchildren. Five people were taken into the church and hacked to death with clubs and machetes.

This is the account of an 11-year old boy who witnessed what happened and lived to tell the tale, as recounted in the words of the public prosecutor. 'Soldiers wearing black ski masks, armed with heavy weapons... made his father lie on the ground. One kicked him while another hit him with the butt of a gun. He clung to his father and told the soldiers that his father was innocent, but the soldiers threatened him with a cattle whip.... He didn't want to look back after he heard someone cry.... They were trampling on his father. The boy cried out in Quechua that they were killing him.... He didn't see his father again. Later the soldiers told him to get away, and he ran with the women. One later told him that they had cut off his father's head.'

Because of this and other testimonies, the Cayara killings caused a major national uproar. The Senate sent a commission to investigate what had happened. The García government and the military authorities did their utmost to obstruct the investigation. Witnesses were killed and intimidated, and evidence removed. In its report on what happened, the Senate commission ended by saying that no criminal acts had been committed that day in Cayara.

### **False justice**

With the arrest in 1992 of Abimael Guzmán, Sendero's supreme leader and ideologue, the nature of the human rights violations began to change. Sendero's military capacity crumbled as, one after another, its leaders were identified and arrested. By offering lighter sentences to those who identified their comrades in arms, the authorities were able to round up large numbers of suspects. But to save their own skins, many of those accused simply named anyone they could think of. The numbers of those unjustly held began to rise. Changes to the legal code governing cases of terrorism, passed in the wake of Fujimori's 1992 palace coup, made 'terrorism' and 'treason' offences punishable by death.

The Fujimori administration turned to military tribunals to judge those accused of terrorism. In these, the evidence of witnesses and other norms of proof were cast aside in the desire for rapid 'justice'.



▲ *Victor Quispe explains how the complex web of symbols in Edwin Sulca's tapestry represents a personal interpretation of Peru's recent history. 'Those of us from Ayacucho who did not want war, they tied our hands... Amongst the bombs... we heard the cries of orphans, of mothers, of women burying their dead. All this brought us to our knees... Now the campesinos have hope. They will return to the fields, and the maize will flourish once more.'*

The accused, usually lacking any proper defence, were unable to see those who passed judgement on them, seated behind one-way mirrors. It was only towards the end of the Fujimori regime that, under strong international pressure, a commission was appointed to review the cases of thousands of innocent people wrongly committed, and mostly serving life sentences.

The issue of wrongful arrest focused public attention on conditions in Peru's prisons. Peruvian jails have long had a bad reputation. They are overcrowded, and lack even the most basic guarantees for prisoner safety. Prisoners depend on outside support from friends and family to acquire even minimal needs like food. Some prisons are deliberately located in inhospitable places – at very high altitudes, or in the jungle. The International Red Cross has criticised Peru for failing to hold prisoners in reasonable conditions and for suspending their visiting rights. Protests by inmates, especially by Sendero prisoners, have been dealt with summarily. In 1986, for instance, García responded to a synchronised rebellion in three Lima prisons by sending in troops. Some 400 prisoners were killed.

The appointment of the Truth and Reconciliation Commission, which is due to report its findings in 2003, provides an important opportunity to overcome this grim legacy. As well as detailing the facts of what happened, the Commission will seek to explain why they happened, and what can be done in the future to restore a sense of justice. However, it will not pass judgement on those it identifies as responsible; nor will it make reparations for the injustices committed. The identities of those who committed human rights atrocities will be, in any case, difficult to establish. Both the military and Sendero took steps to disguise those involved in attacks. Members of the armed forces, offered amnesty by Fujimori in 1995, are likely to claim that they were simply following orders and had no alternative but to do as they did. Also, as Coronel points out, 'The reconstruction of memory as to exactly what happened is fraught with difficulty.' Although justice may never be done, the Commission's work is nevertheless important. 'It's a kind of catharsis for the families of the victims,' Coronel says, helping them to come to terms with their grief.



Susana Pastor

▲ Soldiers move to police a demonstration in Ayacucho.

## Criminality, the police, and the justice system

The era of extreme fear and insecurity associated with Sendero Luminoso may be over, but most Peruvians continue to feel insecure and ill-protected by the state. Common crime – assault, robbery, kidnapping, and even murder – is all-pervasive, and the problem appears to be getting worse. Sociologists attribute this to the combined effects of poverty and urbanisation. Reacting to this climate of

violence, the residents of wealthy neighbourhoods have started to surround their homes with high walls, installing video surveillance cameras and employing armed guards to provide protection. Factories in many parts of Lima now look like mini-fortresses, with walls, observation turrets, and searchlights. Ordinary people, however, are unable to go to such lengths to protect themselves, and it is they who bear the brunt of the rising tide of violent crime.

In poor neighbourhoods of Lima, like San Juan de Lurigancho and Pamplona Alta, residents live in trepidation at the activities of local gangs which, after nightfall, take over the streets. The gangs are typically formed of groups of adolescent boys with little prospect of a better future. Each neighbourhood in San Juan de Lurigancho has a gang, and each gang disputes with other gangs over the control of territory. Drug consumption and trafficking is linked with increased gang violence. Gang members are forced to show that they can kill, while those reluctant to get involved are often beaten up and threatened. Long knives and handguns, easily obtained, are the arms of choice. In some areas, like Matupe in San Juan de Lurigancho, terrified residents club together to contract guards with dogs to defend the streets. 'These gangs are mafias in the making,' says a social worker in Pamplona Alta, where NGOs are trying to teach residents methods of violence prevention.

People would normally turn to the police for protection in such circumstances. However, in large parts of San Juan – especially in the peripheral areas where communities are poorest and least organised – the police are nowhere to be seen after nightfall. For many, indeed, the police are part of the problem rather than the solution. The police force is poorly paid, and confronts a social problem which it cannot begin to solve. In Lima and elsewhere, police morale is low, and bribery and corruption in the force are commonplace. Many believe that the police are themselves involved in acts of organised crime.

In rural areas, too, communities receive little external help in defending their rights. Police stations tend to be located in towns and cities, not villages. Where there is a police presence, it tends to be seen as part of a power structure that is irredeemably corrupt. When Sendero Luminoso



▲ *Municipal security forces are a frequent sight on the streets of central Lima.*

removed a local policeman after attacking a community, this would sometimes be regarded as a positive development by the villagers; in rural areas, the police have come to symbolise all that is most abusive and corrupt about the state. Police reform has been identified by the Toledo government as one of its most urgent priorities, and there is much that needs to be done.

The justice system, too, seldom works to the advantage of those most in need of it. Like policemen, lawyers and judges have a poor reputation in Peru, mainly because they are seen as working in the interests of those who can pay the biggest bribes. The court system is itself labyrinthine, inefficient, and costly to those looking for justice. As an old adage about Lima's

impressive-looking Palace of Justice goes, there's a lot of palace, but precious little justice. Because judges are political appointments, the justice system has tended not to protect the interests of individuals, particularly those with scant resources, against the state. Rather, it has protected those in government who have acted corruptly, defending private interests over the public good. In any case, for most Peruvians, the justice system is simply too expensive to access; other methods are therefore found to settle legal disputes. In rural areas, the justice system seldom extends beyond the confines of provincial or district capitals, providing no solutions to rural people when they need mediation in pressing matters like land or family disputes.

Peru has consistently been criticised in international forums over the shortcomings of its justice system. Amnesty International has been among

its most persistent critics over the abuse of human rights, and the impunity afforded to those responsible. The Inter-American Court of Human Rights, based in San José in Costa Rica, has also been highly critical of Peru on human rights grounds. It was because of its persistence on a range of issues that the Fujimori government took the unusual step of publicly withdrawing Peru from the jurisdiction of the Court. Yet, the importance of judicial reform has long been recognised. The need to end corruption in the justice system was one of Fujimori's justifications for his 1992 palace coup. Apart from questions of finance, the problem seems to lie in the convenience to governments (of whatever political colour) of having a judiciary that can be counted on to do its bidding. But as people become more aware of their rights and assertive in defending them, things are gradually beginning to change.

## COMMUNITY JUSTICE

In rural communities, a novel system is being introduced by the Justice Ministry (with the help of NGOs) to enable community leaders to dispense justice. These are the *Nucleos Rurales de Administración de Justicia* ('Rural Nuclei for the Administration of Justice'). The NURAJ, as they are known, are an unusual example of judicial reform from the bottom up. They started as a pilot scheme in the Ayacuchan provinces of Huanta and Vilcashuamán, because of the absence of judicial authorities there. They deal with the need for judgements on frequent problems, such as land disputes, animal theft, family violence, and sexual harassment. According to Jeffrey Gamarra, who has been one of the main initiators of the scheme, it has been a great success in providing justice for those who could never afford to seek it from a judge in Ayacucho.

## A right to education

New orange-painted school buildings, bearing plaques of gratitude to 'Eng. Alberto Fujimori, Constitutional President of the Republic', are a familiar sight in communities, rural and urban. Orange was the adopted colour of Fujimori's *Cambio-90* political grouping, and school-building formed a key part of his attempts to win public favour. But the programme of school building by itself was not enough to cure Peru's ailing education system. Poor families had no money to buy schoolbooks, and the government was unwilling to give the education ministry the budget to pay teachers a living wage. The result was that in many places, especially in rural areas, brand new schools were used, not for teaching children, but as storage areas or even cowsheds.

Ever since the 1950s, when the first massive school expansion programme took place in Peru, education has been seen as one of the keys to social mobility. Organisations like the World Bank have repeatedly argued that improving education is the most important policy tool in assisting people to escape from poverty. It is possible, at least theoretically,



► Government workers on the roof of the new school building in Santo Domingo, Piura

Annie Bungeoth

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for children from poor backgrounds to acquire the knowledge to get beyond primary school and to receive secondary or even university education. The possibility of attaining a university education became a dream harboured by many, and some have managed to use education to open doors that would otherwise have remained shut. Alejandro Toledo is a case in point. From humble rural origins in Ancash, he managed to work his way up the educational system, eventually completing a doctorate at Stanford University in the USA.

But the reality is rather different for all but a small minority. Less than 60 per cent of those in state schools finish grade eleven, and the numbers that reach university are tiny. Though state schools do not charge fees, the quality of the education they provide is poor, and those who can afford it send their children to private schools or to schools run by the Catholic Church. The public education system emphasises old-fashioned approaches like rote learning, rather than developing other skills. For the majority, the educational system fails to equip them to get better jobs when they leave school. School drop-out rates are high, especially among girls. When families have to economise they are more likely to send boys than girls to school, and girls are often called to assist with the care of siblings and other household tasks. In San Juan de Lurigancho, the drop-out rate is around 15 per cent on average, but more in the poorest neighbourhoods. Rates are also higher in rural areas, where the quality of education is worst, and children are often required to work on the land rather than attend school. Far from being a right, education is often seen by parents as an expensive burden that they are obliged to assume. Even 'free' education entails buying schoolbooks, materials, and uniforms. For those living on \$1-2 a day, it is impossible to meet such expenses.

Overall, illiteracy is fairly low for a developing country, but it is high in rural areas, and particularly among women. More than a quarter of women living in rural areas of the *sierra* were officially classified as illiterate in 2000, and more than 20 per cent in rural parts of the jungle. Overall, women are three times more likely to be illiterate than men, which means that they are less likely ever to escape poverty.

The education ministry's budget accounted for seven per cent of total government spending in 2000, small by contrast with the 39 per cent spent on servicing Peru's foreign debt. The school-building programme came under the ministry of the presidency, however. Educational spending peaked in the mid-80s at the beginning of the García government, but tailed off in subsequent years. A large proportion of the education budget is spent on teachers' wages, and these have fallen sharply. The teachers' union, SUTEP, has been unable to maintain the real value of teachers' pay. True to its Maoist convictions, SUTEP was highly critical of Fujimori and his government. As trained teachers seek other occupations outside education, the numbers in the profession are ever lower in comparison with the numbers of children entering the public education system.

## A right to health

Peru – like most countries in Latin America – has seen some improvement in basic health indicators in recent decades. Life expectancy, for instance, has increased steadily since the 1960s. In spite of higher levels of poverty and inequality, the average Peruvian man can expect to live to 67 (compared with 57, 20 years ago), whilst the average woman will live to 72 (compared with 61, 20 years ago). The number of children who die in infancy has also fallen fairly dramatically, from 99 per 1000 live births 20 years ago to around 45 today. The number of hospitals, clinics, and medical posts has increased.

In other respects, recent trends make for less encouraging reading. Cholera, absent from Peru since the early years of the 20th century, made a dramatic comeback in the early 1990s, revealing yawning inadequacies in the system of public health control. Diseases most closely associated with poverty – notably tuberculosis – have remained prevalent, while the incidence

of respiratory diseases, and dysentery increased sharply in the late 1990s. Other diseases thought to be on the wane – such as malaria and dengue – have also staged a comeback. Furthermore, the health system has found itself having to cope with new diseases, like HIV and AIDS, as well as the chronic ailments associated with an ageing population. The official figures for AIDS (11,700 cases between 1983 and 2001), as well as those for other diseases, almost certainly under-report their true incidence.

Health-care provision has suffered as a product of the debt crisis and the IMF-imposed fiscal austerity in recent years. Health spending has long been low in Peru by Latin American standards, both as a proportion of government spending and as a percentage of GDP. Social spending as a whole (mainly health and education) fell from 4.7 per cent of GDP in 1980 to 2.1 per cent in 1995. With debt repayment and military spending absorbing a large part of overall public expenditure, health has only accounted for between four and five per cent of budget outlays in recent years, a lower proportion than in most other Latin American countries. In the 2002 budget, debt servicing was estimated to cost considerably more than twice health and education together.



Susana Pastor

▲ Ayacuchan members of the education union, SUTEP, march in support of a national strike. According to the local SUTEP leader, 'We're protesting against the regional education authority, which has not been listening to the demands from qualified teachers for fair salaries and pensions, or from contractors who have not been paid for the last four months.' SUTEP is one of Peru's most militant unions.

The overall figures also mask profound inequalities in health-care provision, both socially and regionally. The average rate for infant mortality in the 1995-2000 period was 45 per 1000 live births, while in Ayacucho it was 67, and in Huancavelica 86. In 2000, 40 per cent of children under the age of five in rural parts of the *sierra* showed stunted growth because of malnutrition, but only 7.7 per cent in greater Lima. There were 23.9 hospital beds for every 10,000 citizens in Lima in 1996, compared with only 8.3 in Cajamarca and in Puno. Similarly, there were 18.9 doctors for 10,000 people in Lima, but only 2.8 in Huancavelica and 2.9 in Apurímac. The system of health care in Peru is highly skewed towards urban hospital provision at the expense of rural areas, even though, under Fujimori, a greater proportion of health spending went on rural health posts. As with schools, many of these new health posts lack the basic materials to tackle simple health problems.

▼ A young woman washes her hands under a newly-installed standpipe in Piura. Clean water is essential for public health.



The quality of health provision also varies dramatically between different sectors of the population. The health ministry provides for those sectors with least resources, covering the medical needs of around two-thirds of the population. Health ministry hospitals are the worst-equipped, and the treatment they provide is the most basic. This sector is particularly exposed to cuts in public spending. The Peruvian Social Security Institute caters for those in employment who contribute to health insurance through their wages. This sector has also suffered from cuts in state provision. Declining standards of attention are increasingly pushing those who can afford to do so to buy private health insurance to gain access to private hospitals and clinics. The quality of medical attention in these is far superior to public sector hospitals, but they cater only for a few well-off patients.

Access to health care is therefore a function of income rather than a right that stems from citizenship. Those who are poor are either excluded altogether – only five out of every ten women giving birth receive any medical attention – or receive very inferior attention to those who can afford to pay. According to Mario Ríos at the human rights organisation APRODEH, health provision will only improve when people start to demand better health care as a right. ‘Those who least claim their rights are precisely those who need them most,’ he says. ‘There is very little even by way of public

Owing to the expense of buying pharmaceutical medicines, more and more people on low incomes are resorting to herbal remedies as an alternative. Even the health ministry is now beginning to take more notice of remedies that only a few years ago would have been laughed at as the delusions of witch-doctors and quacks. Peru has a rich stock of experience in the use of such remedies, but these traditions are at risk of being lost if the older generation of Peruvians, with their roots in the countryside, does not pass them on to the younger. NGOs, like CEDAP in Ayacucho, are working on ways to maximise the benefits of traditional forms of treatment. They report a large increase in the use of medicinal herbs, to the benefit of peasant growers. At Coyona in Piura, Margarita Chuquipoma, the vice-president of the local Mothers' Club, dedicates herself full-time to her herb garden. She says she will only consult a doctor if an illness is really serious. Most problems, she says, are best treated with time-honoured cures.



▲ Lazunda Dominguez Castillo tends the camomile plants in her garden.

Annie Bungeiroth

information on how to access the health system.' In response to such problems, local health committees came into being in the mid-1990s to channel pressure from below. Their success, however, has depended on the level of people's determination, and the strength of their community organisation. The most successful are not usually those from the poorest neighbourhoods. The Toledo government has promised to reform the health system, but a lack of funding remains the main obstacle to better provision.

### Women's rights

The women of San Juan de Lurigancho are learning leadership skills. Three days a week for two terms a year, 50 women abandon their other activities to learn how to be future councillors, mayors, or even congresswomen. 'This is the only way forward to creating real citizenship in our community,' says Luzmilla de la Cruz, vice-chair of the local association of *comedores*. With a little outside help, the *comedores* have gone from providing food to the neighbourhood to involving the community in matters such as food distribution, health provision, and providing for local security needs. Future leadership courses will include themes as diverse as globalisation, active citizenship, and budgetary planning.



## WELL-BEING FOR WOMEN

The *Casa del Bien-estar* ('Home of Well-being') in Pamplona Alta, in southern Lima, opened its doors to the public in 1997. Until then, there was no assistance available to women in this neighbourhood of 80,000 people. The pharmacy at the *Casa* offers basic medicines, mostly for treatment of reproductive health problems. Although not free, drugs are priced to be affordable. A course of pills to treat a vaginal infection costs 2 soles (around 40 pence), for example.

The centre also has a clinic, a laboratory to examine specimens, a credit facility, and a legal advice bureau. 'We seek to identify the difficulties people have in getting help from the state,' says Rocío Gutiérrez, 'and to give them the confidence to stand up for themselves.' The centre plays a key role in the life of Pamplona Alta, helping thousands of women each year.

▼ *Carmen Campos, from Chulucanas, explains how women's involvement in local development organisations like the comedores can put them at risk of increased violence from their husbands.*



Annie Bunsereoth

predecessors to confront such problems in an open way, a great deal still needs to be done. 'Sexuality, maternity, and questions like reproductive health have to be placed as new issues in the public sphere', says Flora Tristán's María Emma Manarelli. 'We need to create whole new areas of public discussion.' Through its publications and its publicity machine, Flora Tristán has helped to shape this new agenda. The problem, Manarelli argues, lies in the hierarchical and male-oriented (*machista*) cultural tradition in Peru, which is extremely resistant to change. She also cites Catholic resistance to adequate birth control programmes.

Some women's organisations are positive about the contribution of the Fujimori regime, at least in two respects. Fujimori established a separate ministry for women's affairs, putting it in charge of the PRONAA food distribution programme. Although PRONAA undoubtedly lent itself to political manipulation, the ministry also gave women's issues greater salience at the cabinet level. Secondly, Fujimori pursued a proactive policy on birth control, making contraceptives much more readily available. In low-income urban neighbourhoods, in particular, sexual activity begins at an early age, and the incidence of unwanted pregnancies is very high.



Susana Pastor

A Lima hospital reports 5000 pregnancies each year among girls between the ages of 12 and 17, and most are a consequence of rape, often by male relatives. There is little guidance available for young women on how to avoid pregnancy, and the incidence of abortion is high. According to Flora Tristán, as many as 35 per cent of all pregnancies end in

▲ The mural, painted by college students from Pamplona Alta, calls for an end to sexual violence. It says: 'Remaining silent is no solution'.

abortion, and the lack of adequate facilities puts women at risk of death from botched back-street abortions.

The ugly side of Fujimori's population policy was its pursuit of forced sterilisation programmes in order to lower the birth rate. No-one knows for sure how many women were obliged to undergo surgical sterilisation, but the practice was common in rural areas, where the birth rate is far higher than in towns and cities. Social workers were given cash bonuses for the number of women they could cajole into taking part into such programmes, and the operations were frequently conducted by inexperienced doctors in unhygienic conditions. The Catholic Church was energetic in criticising such programmes, but to little immediate avail. However, the outcry over sterilisation eventually forced the state to abandon this as official policy.

Family and sexual violence are other major perennial problems that feminist organisations seek to address. In 1999, there were 9000 reported cases of domestic violence, but this is probably just a small fraction of the real total. There are few places where women (poor women in particular) can go to seek help or refuge from violence. One of the aims of the leadership school in San Juan de Lurigancho is to explain to ordinary women what they should do when their rights are violated in these ways. One avenue is to secure legal advice, but legal action is usually slow and ineffectual. Another is to seek refuge, but there are only five refuge centres in Lima, for a population of eight million. The most common response is to seek a sympathetic ear and a some practical advice. This is what is offered to people attending the family help centre in Pamplona Alta, a project set up by Manuela Ramos.

## Indigenous rights

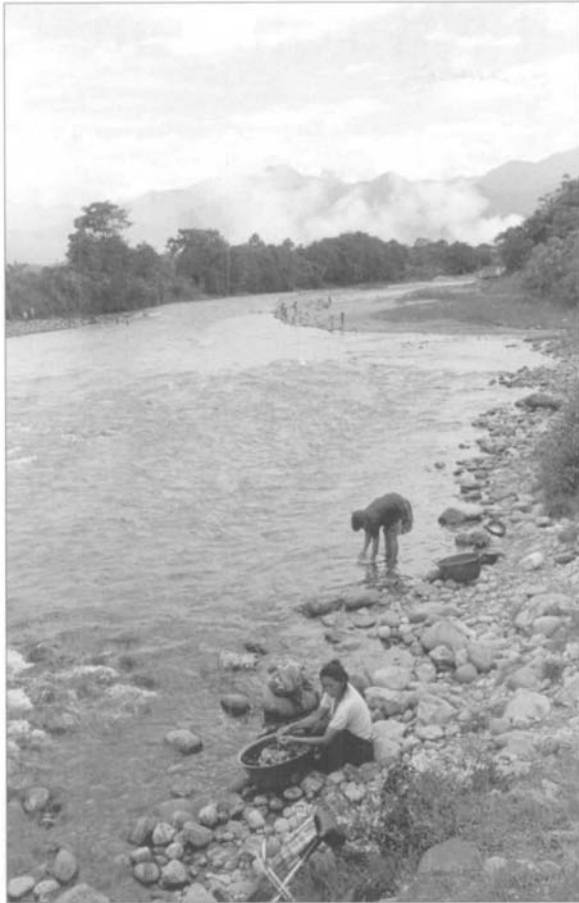
Unlike Bolivia and Ecuador, Peru lacks a strong pro-indigenous (*indigenista*) tradition, even though a large proportion of the population is of indigenous descent. The political tradition of highland Indians is more versed in concepts of class struggle (*clasismo*) than ethnic identity. For peasant confederations, like the Peruvian Peasant Confederation (CCP), the main ideological reference point has been the work of José Carlos Mariátegui, the founder of the Peruvian Communist Party, whose writings stressed the need for Marxist orthodoxy to take on board the revolutionary potential of peasants. Although the figure of Túpac Amaru, the leader of the largest indigenous revolt against the Spanish empire in the 1780s (his real name was José Gabriel Condorcanqui), was part of the iconography of the Velasco regime, it was used more as a symbol of national independence than a statement of indigenous values. The guerrilla *Movimiento Revolucionario Túpac Amaru* (MRTA) did likewise, but its main ideological inspiration was the Cuban revolution. For its part, Sendero Luminoso based its revolutionary praxis on an extreme interpretation of *clasismo*.

It is to the lowland indigenous groups of the Amazon forests that we must look for the main expression of *indigenismo* in Peru. There are some 60 different indigenous peoples living in the jungles of Peru, belonging to 14 main linguistic families. They represent only a small proportion of the total population of Peru, less than 240,000 people according to the 1993 census. The largest grouping is the Aguaruna nation, concentrated in the northern departments of Amazonas, Cajamarca, San Martín, and Loreto.

▼ A gathering of the leaders of Bajo Naranjillo, members of the Aguaruna people. The mayor told us, 'There should be a ministry for indigenous peoples in Peru. The ministry would defend Amazonia on our behalf. With this support, maybe the indigenous communities will survive, and gain national and international recognition.'



Susana Pastor



Susana Pastor

▲ Women wash clothes in Bajo Naranjillo. The river flows on to join the waters of the Amazon.

The next largest group is the Campa-Asháninka, who live primarily in Junín, Pasco, Cuzco, and Ucayali. The indigenous peoples of Amazonia are represented at the national level by, amongst others, AIDSESEP (*Asociación Inter-étnica de la Selva Peruana*). AIDSESEP has six regional offices in the jungle, but also provides a national lobbying forum. It claims to represent 1340 different communities in the jungle.

Prime among AIDSESEP's demands is the recognition of autonomy for indigenous communities. It wants the constitutional article that defines Peru as 'pluricultural and multiethnic' to be given real meaning. According to Wrays Pérez from AIDSESEP, this could signify, for example, ensuring some permanent indigenous representation in Congress. One of the problems facing jungle Indians is that they are so few in number, and so spread out over different departments, that it is impossible for them to register their own political party. The lack of any demarcation between indigenous lands also makes representation more difficult.

AIDSESEP and other pro-indigenous organisations thus strive to protect both indigenous landholding, and their cultural value systems. Lowland tribes find their lands

continually penetrated by outsiders, whether migrants from the *sierra*, gold explorers, timber companies, or companies exploring for oil and gas. It is not just a problem of land, but also the defence of the subsoil, and the wealth contained within it. Where oil is extracted, for instance, Indians would like to establish rights that would ensure they receive some of the benefits. Communities also demand the protection of their culture through bilingual education, and approaches to health care sensitive to long-held traditional values.

Jungle Indians have never had much impact on national politics in Peru. However, the interest shown by international companies in developing the resources of Amazonia is giving them increased political leverage. They have come to exert considerable influence over the development of gas and oil reserves, for example. In 1996, protests by the Ashuar people led to ARCO being stopped from developing an oilfield in the jungle. The Camisea gas project has also forced multinational companies to respond to indigenous concerns. Pérez believes that Toledo is better-disposed towards indigenous rights than Fujimori ever was, mainly because his Belgian-born wife, a Quechua-speaking anthropologist, is keen to promote them.