

## Chavez's War On Free Trade In Peru

By INVESTOR'S BUSINESS DAILY | Posted Tuesday, June 09, 2009 4:20 PM PT

**Americas:** What does Venezuela's Hugo Chavez call a nation that develops peacefully, embraces markets, promotes property rights, pursues free trade and has no use for his revolution? A target. Welcome to Peru.

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Last Friday and Saturday, a police confrontation at a roadblock near the northern Peruvian town of Bagua ended in violence, with some 30 dead.

A major highway had been blocked off for 55 days by some 5,000 indigenous protesters in a tactic identical to that used by radicalized indigenous protesters in Bolivia in recent years.

Roadblocks are basically used to starve inland cities into submission by halting shipments of food, medicine and energy, as well as outbound trade. Police reportedly tried to clear it and a firefight ensued, leaving 24 policemen and nine or more protesters dead.

Media reported the nongovernmental organizations' version of events as one of innocent Peruvian Indians with feather headdresses protesting exploitation by awful Western oil companies. NGOs like AmazonWatch, famous for supporting the harassment of Chevron in Ecuador, egged on protesters and launched a new campaign against Big Oil.

But in fact, this is less about oil than free trade.

This confrontation began because Peru has started to restructure the economy under a 2006 free trade deal with the U.S. Key is a focus on property rights and titling of property, something pioneered by Peruvian economist Hernando de Soto and recognized by most economists as essential for capital formation.

Peru's President Alan Garcia used his executive authority to give title to land in the north. His officials spoke with indigenous people there, 400,000 of whom still live in Peru's Amazon, and in January gave them title to 12.4 million hectares of land. Another 15 million hectares were set aside for ecological sanctuaries.

But then something strange happened. Indian groups, led by indigenous leader Alberto Pizango, laid claim to more than half of Peru's land. Propaganda went out that Peru's government had grabbed land and refused to talk. Spears and feathers came out for the cameras. Now Peru is being called an oppressive state that doesn't deserve free trade.

In reality, someone's exploiting Peru's native peoples to stop the free trade and development that has made Peru an emerging-market star. In 2008, Peru posted 9.8% GDP growth and 10% wage growth. It's been largely unhurt by the global financial crisis. Free trade is a big reason, and Peruvians overwhelmingly support it.

Who's behind the trouble? Peruvians think it's Venezuela's Hugo Chavez, who in 2006 declared free trade "dead."

"This is a frontal attack on Peru," Ian Vasquez, a trade expert at the Cato Institute and himself a Peruvian, told IBD. "Peru has become an example of a successful market democracy in Latin America. This isn't supposed to happen in the ideology of Chavez."

Peru's President Garcia seems to agree: "You have to ask yourself: Who stands to benefit from Peru not being able to use its gas? Who stands to benefit from Peru not finding any more oil? We know who. The important thing is to establish the ties in these

international networks which have emerged to foment unrest."

Meanwhile, Peruvian Congressman Edgar Nunez told the Washington Times: "These people are extremely poor, so you have to ask how they can afford to travel large distances, camp and feed themselves for weeks at a time?"

Nunez says there is strong evidence that Chavez is funding rebellion among Peru's indigenous peoples.

Meanwhile, Pizango, the Indian leader who has been charged in the massacre, found asylum in the embassy of Chavez's loyal ally, Nicaragua. Outside, angry Peruvians yelled for his return.

Chavez can't stand a prosperous Peru. But he nurses other grudges against the country.

For one, President Garcia gave asylum to top Venezuelan dissidents, including Manuel Rosales, who ran against Chavez for president in 2006, and Carlos Ortega, the oil workers union boss who crossed Chavez. More recently, Peru's greatest writer, Mario Vargas Llosa, delivered a highly critical and apparently quite effective speech that ridiculed Chavez at a conference in Caracas. The words were broadcast all over the hemisphere.

This helps explain why the prickly Chavez is so keen to stop free trade in Peru. But it also raises questions about those here in the U.S. who today oppose free trade. They don't like the "free" part.

As Peru clearly shows, free trade is good for those who value prosperity. But it's very bad for those like Chavez who favor tyranny.