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FUJIMORI: A NEW KIND OF STRONGMAN (int'l edition)

The populist technocrat is tightening his grip on power

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THE PRESIDENT AS MICROMANAGER: A TALK WITH FUJIMORI (int'l edition)

An enthusiastic crowd gathers as Peruvian President Alberto K. Fujimori drives a four-wheel-drive Toyota on an impromptu tour of Santa Rosa, a hillside shantytown in Lima. Soldiers with earth-moving equipment are building a paved road, sidewalks, and schools in this community of 30,000 people, just a couple of miles from the presidential palace. Kids chant "Fuji, Fuji!" and a woman blows a kiss. But what really lights up Fujimori's face is a greeting from a man who shouts: "Go for [reelection in] the year 2000!"

Fujimori, the former university rector who rode a political backlash against misrule and won the presidency in 1990, has earned the loyalty of millions of Peruvians by wiping out hyperinflation and decimating Shining Path guerrillas in six years in office. The poor are benefitting from new roads, electricity, and schools. Foreign investment is pouring in, and economic stability is persuading many young Peruvians to make their careers at home instead of emigrating.

"Being President fascinates me," the 58-year-old Fujimori said in a wide-ranging interview (page 33). He handily won a second five-year term last year, helped by torrid growth that raised gross domestic product by 12.9% in 1994. Last year, he had to slam on the brakes to avoid overheating, and GDP is expected to rise a more modest 3.7% this year (chart). "We've had a bump in the macroeconomic road, but we're starting to get over it," says ex-Economy Minister Carlos Bolona Behr.

The deeper worry, though, is that it will take years for free-market reforms to create jobs and other trickle-down benefits for Peru's vast underclass. Despite Fujimori's popularity and neighborhood public works, grinding poverty could eventually stir new unrest--and new openings for Shining Path. "People thought we were closer to enjoying the fruits of economic reforms," says Giovanna Penaflor, manager of polling organization Imasen.

More troublesome to political opponents is Fujimori's authoritarian bent. He shut down Congress in 1992, then held an election that

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produced a Fuji-friendly legislature. And last month, he sparked concerns that he may aspire to be President-for-life when he prodded the Congress to interpret the constitution to let him run for a third term in 2000, arguing that he served his first term under the previous constitution.

For investors, though, the prospect of political continuity is just dandy. A major vote of their confidence is the $2.8 billion, 20-year plan of Royal Dutch/Shell Group and Mobil Oil Corp. to develop a natural-gas field on the Andes' eastern slope. A bigger bonanza may be in mining, which is expected to draw $6 billion in investment within five years. One company that struck it rich is Buenaventura, which joined with Denver's Newmont Mining Corp. to mine gold high in the Andes. Since 1993, when the mine started up, Buenaventura's market value has risen from $200 million to $1.2 billion.

CAPTIVE CONGRESS. Equally encouraging is another phenomenon: the return of expatriates as well as flight capital from abroad. Hozkel Vurnbrand, the owner of a company that manufactures flooring, worried, like many Peruvian parents, that his children wouldn't return home after studying abroad. But with his son, who studied in the U.S., and a nephew, Vurnbrand has opened four Ace Hardware franchise stores in the past two years, with two more to open this year. "This kind of business would have been impossible without Fujimori's market-opening," says Vurnbrand.

With 70 of the 120 seats in Congress, Fujimori's supporters can push through whatever legislation he likes. By broaching the idea of a third term, Fujimori says, he will avoid becoming a lame duck and will be able to wield full power until his current term ends. There's another motive: "We're leaving a door open, in case there is no candidate apart from myself who could effectively compete against a potential destabilizer," he says.

But if Fujimori doesn't carry out full reforms, such as shrinking the size of the state, growth will slow, warns Bolona, who makes no secret of his own presidential ambitions. "You have to pray that he stays on the right path," he says. For now, investors and shanty-dwellers alike seem to think Fujimori has the economy and country on track.

By Geri Smith in Lima

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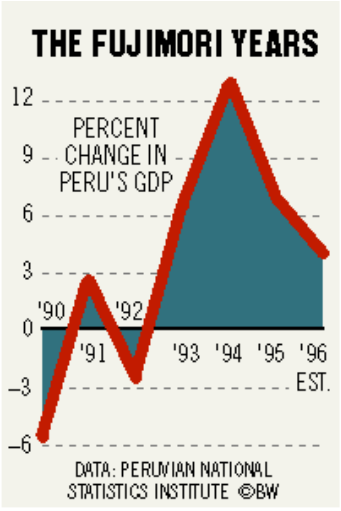

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THE PRESIDENT AS MICROMANAGER: A TALK WITH FUJIMORI (int'l edition)

As a hands-on manager, few Presidents are as zealous as Peru's Alberto Fujimori. His fast-action philosophy, and the tight personal control he exercises over planning and spending, are key ingredients in his so-far successful style of governing. Another is his populist appeal to poor Peruvians, a source of continuing political support. In an interview in the presidential palace and during a tour of Santa Rosa, a Lima shantytown, Fujimori explained his chief-executive methods and his government's policies to Geri Smith, BUSINESS WEEK's Mexico City-based Latin America correspondent.

Q: How do you describe your approach to your job?

A: I approach it like a profession. I do my job as if I were an engineer managing a project. I'm involved in management at all levels. Take energy: I know how many miniplants are being installed in isolated areas. I know they're being installed at reasonable prices, and I know the price of a kilowatt of installed capacity. Sometimes my own minister doesn't know about some of these remote facilities, but I do--I've visited them. You see, I have all this data in my head and in my laptop computer.

Q: What is your underlying philosophy?

A: My government's philosophy is to do things first and talk later. In Latin America, people talk a lot but don't get things done. I present a good project that is doable--economically and socially feasible--and then I do it.

Q:What do you do in your spare time?

A: [He taps his fingers on some folders of data on various projects] This is my spare time. An [electric project in northern Peru] has been stalled for 50 years. But in my government, it has been finished--through management, management, management. That is how we do things.

Q: For recreation, do you read books or listen to music?

A: Sometimes when I have a half hour I might listen to classical music. It's my son who puts the music on. I work out, doing weights or running or doing sit-ups. I'm in good shape.

Q: How do you work with your cabinet?

A: The people in my cabinet are not politicians. There are two businessmen, two military men, and the rest are managers. I don't receive ministers in my office, I do everything by telephone--an average of 30 calls a day. Once a month, we have a cabinet meeting, which starts at 8 p.m. and goes on until 2 a.m. The daytime is for dealing with the big issues. I don't waste my time in meetings during the day.

Q: How do you rein in spending?

A: I'm in daily contact with the vice-minister of finance. I read the newspapers every day where government- project bids are published to see if by chance some ministry is diverting money for a project that's no good. I've stopped projects that way, and said, "That's not a priority."

Q: You seem to have a rapport with poor Peruvians that has been a political asset.

A: My father was an immigrant, a farmer; we were a poor family. Then [later] we lived in a barrio popular, a poor neighborhood. We lived in a small apartment in an alley; father had a small business. So I know what it's like to live in difficult circumstances. The Peruvian elite has never seen areas like this.

Q: How have you maintained your grass-roots support, despite continuing widespread poverty?

A: I'd like to invite you for a visit around the city so that you can see how our economic program is tied closely to social programs. This explains why I have greater support in the poorer classes than in the upper classes. Combined with job creation, this generates a climate of social stability that is very different from previous years, when these people were totally forgotten. The people from the upper classes don't fully appreciate this. This is why the [Shining Path] violence will not recur.

Q: Why are soldiers working on these projects in the barrios?

A: Before, the soldiers came to repress, they beat people up. Now people here see them coming to build. By using the army, we can do things at a very low cost. I also pay a lot of attention to government purchases--no one is going to cheat us!

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