

# Does Helmut Schmidt really want to back Manuel Ulloa?

by Gretchen Small

Preparing the overthrow of Peru's President Alan García, was a major agenda item at former West German Chancellor Helmut Schmidt's Inter-Action Council meeting in Malaysia April 19-21. This was announced by a participant in the meeting, former Peruvian Prime Minister Manuel Ulloa, on April 26 in his weekly column in his Lima paper, *Expreso*. We in Kuala Lumpur have reached a "consensus" that Latin America's debt crisis is the "most dangerous" in the world today, because, while the debt problems of countries such as Nigeria or the Philippines are serious, their problems affect only themselves, and do not threaten to take on "demogogic" overtones, nor become a regional issue, Ulloa wrote.

Peruvian President García's debt policies are based on an "illegal juridical framework," Ulloa declared, while his internal policies are leading to economic dictatorship. The coup threat followed. "Why copy the model of the seven-year-term [of nationalist Gen. Juan Alvarado Velasco], which brought the country to disaster and which forced a military intervention in 1975 to bring about a total change in economic program?" Ulloa asked.

Ulloa, a former Wall Street banker who owes his business career to J. Peter Grace's family company, was a key player in the preparations for the overthrow of Velasco, a coup run by then-Secretary of State Henry Kissinger, with the support of Cuba's Fidel Castro.

Was this the consensus adopted by the Inter-Action Council? It joins together some 70 "former dignitaries"—including such Project Democracy operatives as the Democratic Party's Robert Strauss, together with Socialist International leaders and a couple of Soviet representatives. The announcement that, at that same Malaysia meeting, Ulloa was named president of the Council's new International Debt Commission indicates not only that such was the consensus adopted in Malaysia, but that Ulloa was handed increased international backing for his anti-García campaign.

The striking silence in the United States during the April 2-4 Air Force rebellion against García gave the first warning that a new phase of overt warfare against the García government has been decided upon by the bankers. Not only did Washington remain silent, but the news of the rebellion itself was blacked out of the American press. The contrast with the

hourly State Department statements of support for Argentine President Raul Alfonsín when a military grouping rebelled there only 10 days after the Peruvian rebellion, speaks volumes.

Alfonsín's government has been Project Democracy's special project in the region, turning "democracy" into a weapon to impose ever-harsher International Monetary Fund programs. By contrast, the danger posed by García's nationalist government to Project Democracy's plans to institute a kind of corporatist "bankers socialism," only grows as the international economic collapse worsens.

## Ulloa returns

Immediately after the aborted Air Force rebellion, Ulloa returned to Peru, after a several month trip to Europe and the United States. Not only did he now sport Yugoslav Princess Elizabeth as his new wife, but he immediately launched into repeated public diatribes against García's debt policies as "demogogic" and short-sighted, threatening to isolate Peru from world markets in the long run. While Ulloa and García had been declared political enemies for years, until his return Ulloa had maintained a public posture of support for García.

Ulloa's spouting of the "economic dictatorship" line identifies the Project Democracy hand behind the threats to overthrow García. That is the line championed with increasing vociferousness by Lima's Liberty and Democracy Institute (ILD), the leading institution financed by Project Democracy's U.S. National Endowment for Democracy. Advocates of untrammelled liberal economics, the ILD demands that the "black economy" be legalized, a program which has been denounced around the continent as a scarcely disguised call for legalization of the narcotics trade. The tremendous publicity and promotion given the ILD around the continent by Project Democracy, has helped catapult the ILD into the leadership of a growing "new right" movement in Peru, which aims to replace García with some form of a corporatist state.

Speaking before a conference of the Peruvian Institute for Business Administration (IPAE), ILD ideologue Jurgen Schultz threatened that if García does not reverse his "economic dictatorship," the opposition is prepared to unleash "the other *sendero*" against the government. The ILD named its

most recent book, *The Other Path*. The name of Peru's worst terrorist group is Shining Path. Therefore, the ILD's threat was clear enough.

The decision to use Ulloa to head up an international campaign against García's debt policies—particularly any campaign to call them “illegal”—is, however, the weakest flank in Project Democracy's schemings. The way things are going inside Peru, Helmut Schmidt and his Project Democracy friends may soon find themselves with a convicted criminal as the head of the Inter-Action Council's International Debt Commission!

Even as he was meeting with his co-conspirators in Malaysia, Ulloa was the central subject of a congressional investigation into charges that he and Carlos Rodríguez Pastor, a top Wells Fargo executive who succeeded him as economics minister in 1983, willfully defrauded the nation of some \$200 million, in a scheme cooked up between the leading U.S. and European banks, their local banking buddies, and the implicated government officials. The investigatory committee established by the Chamber of Deputies has announced it will release its findings by May 15. If judged guilty, Peru's Congress will vote to lift the parliamentary immunity which Ulloa now enjoys as a senator, so that he can face criminal prosecution in the courts.

The case stems back to the 1983 collapse of the Commercial Bnk of Peru, known as Bancoper. Bancoper was one of Peru's largest banks, and its president, Luis Bertello, was a former president of the National Banking Association. As London's *Latin American Newsletter* pointed out when Bertello fled Peru in 1983 after he was charged with fraud and banking mispractices, Bertello was a “blue-eyed establishment boy,” sitting at the top of local private banking oligarchy.

The case is simple: Bertello's bank failed, due to a combination of political intrigues, and bad banking practices. Specifically, Bancoper took out foreign loans, and lent most of the money to companies owned by Bancoper's president, i.e., the Bertello Group. Many of those companies, in turn, were shells, only existing on paper as vehicles for speculation and capital flight. In the fall of 1982, Economics Minister Ulloa met with Bertello, local bankers, and Central Reserve Bank officials, to propose that a consortium of local and state banks, and the government be formed to bail out Bancoper. The consortium was formed, and some several hundreds of millions of dollars was pumped into the bank. Shortly thereafter, however, Bancoper declared bankruptcy, Bertello and more than a dozen top bank officials fled the country (some say, with their suitcases full of money), and the government which had guaranteed the whole deal, was left holding the bag.

Last fall, Costa Rica agreed to extradite Bertello to face trial in Peru for his role in the bank's collapse. Despite his best efforts to argue that a man of his social standing should not be obliged to sit in jail, Bertello is still currently in jail awaiting trial.

## Ulloa's role

Ulloa's role in the matter came back to the fore on April 9, when Peru's Supreme Court published its decision, that the state's Banco de la Nación, must pay back to the private banks their share of participation in the bail-out consortium, because the government had guaranteed the loans—plus interest earned since 1983! On April 11, the Banco de la Nación published an advertisement in newspapers throughout the country, announcing that it had been forced to guarantee the consortium “as a political decision by the economics ministers of the last government,” that is, Manuel Ulloa and Rodríguez Pastor, who replaced Ulloa in January 1983. Further, those same ministers had forced the state bank to deposit over 30 million soles to bailout Bancoper. “The Banco de la Nación requests of the political authorities that the pertinent responsibilities be established, and for the good of the democratic health of the country, the corresponding sanctions be applied against those who did not know how to protect the economic interests of the state and Peru,” the ad stated. The decision to request action followed a meeting between Economics Minister Luis Alva Castro, Justice Minister Carlos Blancas, Attorney General José Ignacio Tello, and the Executive director of the National Bank, Adan Seminario, they reported. The congressional investigatory committee was immediately established.

Ulloa called a press conference on April 14 to deny any wrongdoing and charge that officials of this government had done the same thing, and were merely trying to cover up for the failure of their own economic policy. Thinking blackmail could call off the hounds, Ulloa declared, “We had not wanted to enter into this ground, but they have obliged us to do so. The investigations will begin, and will continue until those who fall, fall.” He promised to comply fully with the investigation, but then promptly flew off to Malaysia, from whence he sent a telegram announcing that his new responsibilities on the International Debt Commission obliged him to postpone his testimony!

## The jet set's frog prince

During his absence, increasing evidence of the bank fraud emerged. Ulloa justified his bailout, on the basis that the “savings” and small stockholders of the Peruvian people had to be defended. But Humberto Cino, president of the minority stockholders, testified to the congressional committee that the majority of the original 30 billion soles was used to pay off Bancoper's foreign creditors—even though those loans were not guaranteed by the state. Wells Fargo Bank, for whom Rodríguez Pastor worked before and after serving as economics minister, received a quarter of the money, he stated, a fact which investigators in Miami could quickly prove.

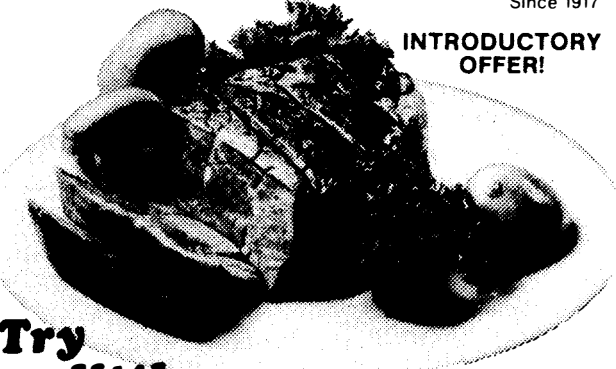
Economics Minister Luis Alva Castro, and Central Bank head Leonel Figueroa reported that Ulloa had lied in his press conference—and they had the documents to prove it. National Bank official Seminario testified that Ulloa, personally,

had ordered the operation.

The local press began calling Ulloa "the frog prince," after his latest wife announced to the press that marrying Ulloa was like the fairy tale; she kissed a frog, and he became a prince! A "Wanted—For Defrauding the Nation" poster for Ulloa, published by *Solidarid Iberoamericana*, the newspaper of the Peruvian Labor Party, has been sought all over Lima.

Returning from Malaysia April 28, Ulloa gave a press conference announcing that his lawyers were preparing suits against those who had "defamed" his "name and his family." But as Lima's *El Popular* reminded its readers that day, when Ulloa sued the Peruvian Anti-Drug Coalition last year for slander, Ulloa lost both the suit, and his appeal. The courts ruled that it was not slander to state that Ulloa's economic policies had fostered the growth of the drug trade in Peru.

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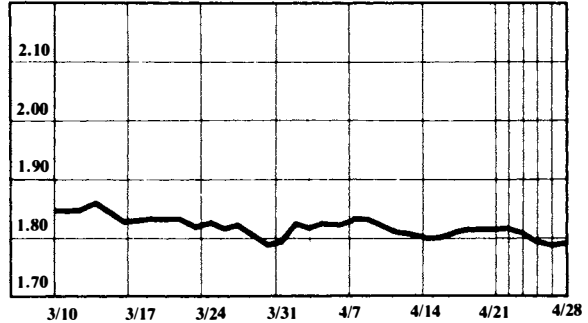
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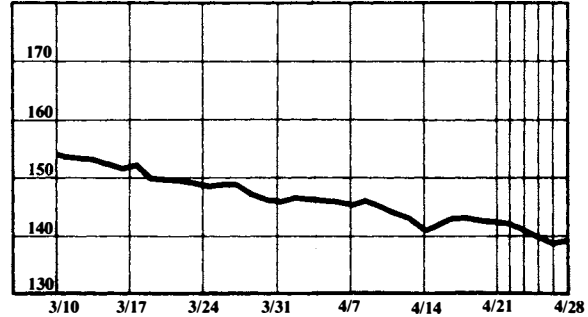
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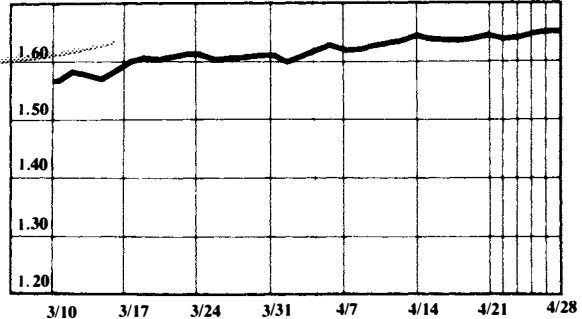
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