

García mobilizes Peru as drug banks fight nationalization

by Valerie Rush

President Alan García has turned directly to the Peruvian population to mobilize support for the war he unleashed July 28 against the narco-financiers, who have held Peru hostage for over a decade. García's executive decree to nationalize the banking system, as a means of recovering control of credit for productive purposes, triggered an immediate counter-offensive, as Peru's "powerful economic groups," which García identified with the international drug trade, moved to recoup their losses.

In a series of pedagogical interventions following his July 28 bombshell, García explained that it must be "the government which rules the economy, and not the drug traffickers." Answering the bankers, who protested that the nationalization decree was a "violation" of private property and free enterprise, García declared that his measure will actually "defend the industrialist, free the businessman from the tyranny of those who have financial control and use it for usurious purposes. . . . I propose to leave all credit, financial and insurance activities to the state, as the first step toward real democratization of our economy."

The association of small and medium industrialists in Peru responded to García's appeal with a declaration of unconditional support, saying that "democratization of credit is an award for productive effort."

Major industrialists, clearly free of links to the narco-banks, have also come to García's defense. For example, prominent industrialist and financier Vittorio de Ferrari sent an open letter to the President offering solidarity: "I do not doubt that the modern industrialist will gradually identify with the opening the government has made toward controlling credit. . . . I am certain that Peru will achieve its new destiny, with you at the helm."

García is not unaware of the enemy's power, however. In a July 31 interview with Mexican television, García sent a message as pertinent to Mexicans as to Peruvians: "Peru and its people should know that a revolution is not made on a bed of roses . . . that there are consequences to taking essential measures for justice. If we want to pay the price of those consequences, we have the right to be free. . . ."

There will be efforts to block and sabotage our measures, said García, but the democratization process is "irreversible."

A narco challenge

Even as García spoke, the narco-bankers were launching their counterattack. Guillermo Wiese, the owner of Wiese Bank, secured a legal injunction against the bank nationalizations from 20th district civil judge Eduardo Raffo Otero. Raffo, a former manager of the Banco de Crédito—the same bank exposed by the government news station for laundering \$600,000 of drug profits in one day in its Uchiza jungle branch—leaked his ruling suspending the nationalization to the anti-government media, which began trumpeting García's "defeat."

However, a second civil court judge, hearing a similar plea from another nationalized financier, upheld García's decree as fully constitutional. The government issued a communiqué on the matter, noting that since it had received no official notification of the Raffo ruling, and since there was a contradiction between the two judges' findings, it would call upon the Supreme Court to issue a single ruling on the matter. "Meanwhile," stated the communiqué, "the nationalization will be maintained."

A chagrined Judge Raffo, asked in an interview if it were true that his former bank, the Banco de Crédito, had a branch in the notorious narco-center of Uchiza, confessed: "Yes, we have a branch in Uchiza, and in 200 other places as well."

On Monday morning, Aug. 3, Peru's banks opened on time, with government-appointed teams of administrators guaranteeing that business proceeded as usual. Efforts by directors of the Banco de Crédito and Wiese Bank to occupy their bank offices and keep out the government trustees, prompted another government communiqué which observed that any and all actions signed by the bank directors was "null and void." The bankers tried to organize anti-government demonstrations at the banks, but were met with the pledge by Finance Minister Saberbein that "those who use force and provoke problems will be evicted."

The opposition is in a rage. The daily *Expreso*, associated with former prime minister Manuel Ulloa, accused the ruling APRA party of seeking to control "all power for the APRistas, through total control of the financial system." The president of the banking association warned that investment in the country would collapse, and pledged to "fight to the end." Ulloa himself charged that the decree was "an assault on private property" and on such "families of humble origin" as the owners of Wiese Bank.

The opposition's media and legal campaigns notwithstanding, García's appeal to Peruvian patriotism has drawn spontaneous demonstrations in the interior of the country. A massive turnout in defense of the government measures was expected on Aug. 7, in the central Plaza de Armas in Lima.

Documentation

García's speeches

In a series of interviews and speeches in the aftermath of his nationalization decree, President Alan García explains the purpose of his dramatic initiative:

To Mexican national television, July 31: Social redistribution goes by way of the nationalization of the most powerful instruments which permit economic accumulation by a small sector of the population. . . . What are the banks in a poor economy like Peru? When an economy is poor and unproductive, the factories produce little. The true wealth then lies in credit, in the capacity to receive the national savings, the people's savings, and direct it toward the companies owned by the bank's owners, or by those who they want to dominate and subordinate or enslave through credit. . . .

We want a very democratic credit system and the way to get it is reserved for the state; the right to receive the national savings and direct it to the economic activities of development. . . .

We have included the concept of credit in the nationalization decree. We encourage production. We need the small, medium, and large industrialists to produce materially. We need to promote material growth, but we could not encourage usurious rentier activities. Taking somebody's money and loaning it to another is an intermediation activity which makes production costs more expensive. . . .

. . . Some groups of the Marxist left have approved the measure. There are other much more radical political parties . . . which will always demand utopias and irrationalities. And, a little further out, are the terrorists, those who have

fallen into homicidal violence. They are too far out of their minds to think of this as an advance, and I think they will continue in their acts of criminality and violence.

[Asked if the opposition will conspire to destabilize García, the President responded:]

Of course. It is clear that many things have to be feared, and he who stops fearing the consequences of his actions is irresponsible; but he who limits himself to fearing those consequences is a coward. . . . All this is a risk. Peru and its people should know that a revolution is not made on a bed of roses. Peru and its people should know that there are consequences to taking essential measures for justice. If we want to pay the price of those consequences, we have the right to be free. If we don't want to pay the consequences . . . we will remain chained to the International Monetary Fund. We will keep paying the foreign debt, we will remain submissive to great power groups inside the country. We will remain submissive to injustice and domination. . . .

To journalists in Villa El Salvador, Peru, Aug. 1: I have said that I have no weapon with me and no defense, only the law and the Constitution. It is true that the right to own property exists in Peru, but only to own property in harmony with social interests. . . . The Constitution itself stipulates that the state can reserve activities for the state and government to conduct itself; for example, banking, so that banking does not become a way to dominate, by means of the money from national savings, those who produce the merchants, forcing them to pay interests and commissions, or dominate large productive sectors through the banks.

We need, therefore, to make it very clear that this is not an act of a totalitarian government that has come in through the back door into the palace of government. . . . The people, through their parliamentary representatives, will approve or disapprove this measure. . . .

An injunction has been filed regarding this temporary measure, and we will see what the judicial proceedings conclude. But I reiterate before all of you that our decision concerning democracy, concerning the quality of Peruvians, concerning a deep transformation of Peru so that it will not belong only to the very few rich, is irreversible. It is my will and my decision to bring about a democratic revolution in this country. I say that democracy has to be revolutionary, democracy must be daring. We cannot live in fear, we cannot live by respecting injustice. Peruvians have not elected me for that. . . .

Now I have heard that this measure, the nationalization of credit and banking, will result in there being no more investments in Peru. This is really an erroneous and I would say ill-intentioned argument; this is the way in which the affected interests—which are very few, but very big—are trying to use tens of thousands of merchants and industrialists as a shield. This measure is, on the contrary, seeking to liberate the producers, the industrialists, the merchants, from the domination of the large financial institutions. . . .