

# Peruvian bank nationalization bill nears passage despite enemies' fervor

by Peter Rush

A battle has been engaged in Peru for economic freedom, over the bill which President Alan García has introduced to nationalize Peru's financial system, in order to release credit for economic growth. The bill is now being debated by the Peruvian Senate—it has already passed the House of Deputies—and passage is now considered very likely, especially since the Peruvian Catholic Church has just intervened to quash a nominally "Catholic" insurgency which is trying to mobilize popular opinion against the measure.

The bill has aroused the passionate enmity of Peru's drug-money-laundering conglomerates and their paid pen, the Moonie-linked former grade B novel writer-turned-politician Mario Vargas Llosa. Vargas Llosa, backed by the misnamed Liberty and Democracy Institute (ILD), is the self-styled champion of the "informal economy" of drug pushers and street vendors. He has been joined by the oligarchy's pseudo-Catholic front, the gnostic Tradition, Family, and Property sect.

President García introduced the bill in early August after weeks of illegal speculation against the Peruvian currency, the inti, aided by the major Lima banks. The same banks have been facilitating flight capital for years. Several, especially the Banco de Crédito, have laundered millions of dollars of drug money daily. But the bill is intended to do much more than merely clean up these abuses.

As explained by García in an interview in early September in *The Peru Report*, the English-language economic monthly published in Lima by British financial journalists, "The transformation of the Peruvian banking system is going to go much farther than a mere expropriation of the large, national, oligarchical banks that dominate Peru. This must be accompanied, principally, by setting up private regional banks, free from the influence of the great banking groups of Lima."

García hit the over-concentration of the financial system, saying that "the owners [of the banks] have consolidated huge empires of large companies tied to the banks, exacerbating the centralization around the four great banking groups in Lima. . . . The largest private bank, the Banco Italiano, has been converted into the property of four powerful economic subgroups that dominate 128 companies. The national banks

based in Lima are the spinal column of those empires," he told *The Peru Report*.

## Senate debate

Amplifying the same point before the Senate, APRA party Sen. Rafael Eguren pointed out that of 8,100 stockholders of the banks, 120 "have absolute control over the banking economy," and that 5 groups "control 335 companies." Sen. Alfonso Ramos Alva further charged, that while the expansionary policies of the government had increased the profits of the four main banks by 45% in 1986, investments fell by 26%, with the added profits being "converted into dollars and brought to the U.S. and Wall Street to render homage to freedom."

The bill is being debated and voted on article by article, and about half the bill has already passed. Under particularly intense debate is Article 7, which seeks to define the financial sector as a "public service," which legal definition would prevent successful court challenges by the banks to the bill's implementation. The big banks' parties, "Popular Action" and "Christian Action," recognizing that a bill in some form will definitely pass, have adopted the tactic of "amending" key provisions to blunt or negate the effectiveness of the bill.

It has been left to hired pen Vargas Llosa and the ILD, backed by the U.S. State Department and its "private" arm, the National Endowment for Democracy, which funds the ILD, to attempt to create the appearance of mass popular opposition to the bill. For the past six weeks, Vargas Llosa has been railing about the alleged dangers of "totalitarianism" and "dictatorship" represented by the nationalization. He told a much smaller than expected crowd in the northern town of Piura on Sept. 3 that "the right to private property is a natural right of the human person and therefore no one can take it away"—though under pressure from the Church, he was forced to acknowledge that there were social obligations attached to private property.

The landowner-linked sect Tradition, Family, and Property took out ads on Sept. 3 saying that "Jesus and the natural order supports the absolute right to private property." Desperate to create the appearance of a general revolt against the

bill, the TFP forged the names of two bishops and many Catholic priests to their ads.

### **Freedom must be for everyone**

One of the bishops and many of the priests immediately protested the unauthorized use of their names on the ads. On Sept. 10, as the Senate debate opened, the Episcopal Conference of 300 priests issued a condemnation of the Vargas-TFP argument, saying that "human life [is] the most valued gift of God, and the first human right to defend, without which there is no sense speaking of the unrenounceable right to freedom or even to legitimate private property . . . [which] cannot be spoken of without recognizing that it is not an absolute right."

The bishops' document went on to identify that "millions of Peruvians live in inhuman poverty which violates the Gospel. . . . [This poverty] results from multiple factors, among which are a strong concentration of political and economic power in a few privileged groups." Speaking of freedom, it said that "Freedom cannot be spoken of in this country without claiming it for everyone, and not only for a minority; which implies a decided commitment to eradicate the injustices of our society, the first of which is the massive and unbearable poverty, the fruit of unequal distribution of wealth."

President Alan García himself, in response to the controversy over the bill, has spoken to scores of outdoor mass meetings, both in the poorer districts of Lima and in dozens of other cities across the country, to explain the importance of the bill for the country's economy and its fight against poverty. García told an interviewer from the Mexican newspaper *Excelsior* Sept. 6, "In Peru there is more freedom than in any other Latin American country. What has happened is that the bankers and their defenders have made the problem an ideological one," and pointed out that after 38 days of debate, even the bill's opponents had been forced to acknowledge the evil represented by concentration of credit.

In his interview with *The Peru Report*, he said, "I am a democrat, who believes that the population must be convinced rationally. Some people don't understand this because they believe that all Latin American revolutionaries must be dictators. The right wants to see my government repressing the intelligentsia, a totalitarian government. But I think I am capable of winning the population with my ideas. . . . It is a question of demolishing [my enemies] with intelligence, not with force."

In every speech, he has laid out how the financial system of the country has one and only one function, to provide credit to small entrepreneurs as well as large, to promote the development of the country, and that if a handful of bankers control the credit of the country for their own benefit and abdicate this social responsibility, it is the duty of the state to step in.

Asked if he didn't fear ending up like Salvador Allende,

the Chilean socialist leader overthrown in a military coup in 1973, he told the Mexican daily *Excelsior*, "He who allows himself to be led by the passions of the multitudes, by the revanchist zeal of the people, ends up like this." He said his reaction to the campaign against the measure "was to hold 50 public meetings. Not to awaken passions, but rather to diminish them, to devote myself to a battle of ideas, and to demonstrate that this will be won by the more prudent party . . . he who explains it better."

The success of García's public campaign has apparently prompted a tactical shift by the opposition. Seeing that the phony charge of "dictatorship" was discredited and no longer drawing crowds, the ILD has attempted to point to the Mexican bank nationalization of 1982 to "prove" that García's objectives won't be fulfilled. The ILD imported a supposed expert, one Mr. Serfio Sarmiento, to say that since nationalization, the Mexican banking system has provided progressively less credit to industry, and is now all but defunct. The conservative Mexican industrialists organization Coparmex sent several communications to the ILD with the same line. Both fail to point out that Mexican President de la Madrid gave the banks back in everything but name to their former owners, and did everything in his power to undermine the intent of the nationalization.

### **The coup option**

The final fallback option of the opposition is to hope for a military coup. Rumors of a possible coup have periodically appeared in Lima, and been denounced by politicians, including those from the right who can't afford to be publicly identified with a coup.

From the United States, an editorial in the *Christian Science Monitor* of Sept. 7, said that García's pushing the nationalization bill has started a "struggle which could bring Peru to crisis, and perhaps topple its present government. One possible scenario is a coup, and a return to the military rule which was imposed on Peru from 1968 to 1980."

García's tough stance against the drug traffickers, and the police forces' increasing success against the Shining Path terrorists has actually strengthened military confidence in his government. Interior Minister José Barsallo announced Sept. 14 that the organizational structure of Shining Path in six departments had been smashed, and that the pace of terrorist attacks was decreasing. Soon, 2,500 more specially trained police will be deployed, and a major anti-terrorism campaign will begin within the next 60 days. The leftist pro-terrorist press has been claiming that Shining Path is regrouping in the Upper Huallaga valley, the heart of the cocaine producing region, with an army of thousands, but Barsallo said these reports have no substance.

A policeman who survived a recent attack on a police station in Uchiza, in the Huallaga, documented that the drug traffickers were financing the Shining Path terrorist operations in that region.