

# Cleaning Up After Fujimori

## PERUVIAN PANEL PROBES "ECONOMIC CRIMES" LINKED TO PRIVATIZATION

### AN INTERVIEW WITH INVESTIGATOR OSCAR UGARTECHE

**P**eruvians are just beginning to untangle the web of high-level corruption woven during Alberto Fujimori's presidency. Fujimori was first elected in 1990; in April, 1992, in what has been referred to as the *autogolpe* or "self-coup," he suspended the Constitution and dissolved the Congress; a new Congress beholden to him rubber-stamped authoritarian measures said to be aimed at stopping terrorism and reforming an economy near collapse. He was reelected in 2000 in a vote whose fairness was widely questioned; his government finally collapsed in November, 2000 when videos surfaced showing Vladimiro Montesinos, his closest adviser and intelligence chief, bribing politicians and other public figures.

The Peruvian government is now demanding Fujimori's extradition from Japan, where he fled after his government fell; Montesinos is now in jail and under investigation for crimes including bribery, money laundering, illegal arms deals and drug trafficking. Montesinos is reported to have tens of millions of dollars, the fruits of his illicit activities, stashed in foreign bank accounts. Four ex-Fujimori ministers have been arrested and also charged with illegal arms deals, and one minister, Victor Joy Way, is also charged with having illegal Swiss bank accounts. The rest of the ministers who served under Fujimori between 1997 and 2000 are also being investigated and some have been placed under house arrest. A former attorney general and an ex-president of Peru's electoral oversight agency, along with five legislators and 14 generals, have been detained on various corruption charges.

Late last year, 64 Peruvian congressional committees were investigating various aspects of Fujimori-era corruption. One of them, the Investigative Commission on Economic Crimes, is probing corruption linked to the Fujimori government's neoliberal economic program, which emphasized deregulation and the sale of government enterprises to the private sector.

*Peruvian economic analyst Oscar Ugarteche, the author of several books on globalization and the debt crisis and a past contributor to the NACLA Report, is the commission's chief adviser. NACLA interviewed him by e-mail about the commission and translated his comments from the Spanish:*

#### **What is the commission's job and how is it carrying out its work?**

Oscar Ugarteche: The commission's mandate is to investigate the way former government entities were privatized during the Fujimori years, how government-owned banks were bailed out or liquidated, how enterprises like sugar plantations [which had been turned into worker-owned cooperatives in the 1970s] were re-privatized, and also to look into how well state controls were functioning. The relevant data is so vast that we've picked a group of privatized enterprises to analyze. Various cases have been investigated to date, including those of AeroPerú, Telefónica del Perú, and a number of banks. We've also looked at how contracts were awarded for such things as highway building in Ayacucho and the health ministry's purchase of medicine and supplies.

One characteristic of the 1990s was that with privatization came deregulation and a lack of government oversight, which opened a space for fraud and other crimes to occur, in many cases aided by unconstitutional or otherwise imperfect laws. Our initial impression is that the cost to the government of this lack of control has been high. For example, if there had been more regulation, the Peruvian state wouldn't have lost the 800 million dollars it invested in trying to save Banco Latino, which finally went broke and was absorbed by Interbank. Interbank got the debts which were backed up by collateral, while the state was stuck with uncollateralized loans.

**Who are the main targets of your investigation? Are you investigating former President Fujimori and his adviser Vladimiro Montesinos as individu-**

**als, or is your focus on the policies and activities of the Fujimori government as a whole? If you are investigating individuals, who else is a target of your investigation?**

OU: The main subjects of investigation are the President, and the defense and economics ministers during the Fujimori years. Fujimori and Montesinos were an integral part of a mafia which acted together to commit crimes; they protected themselves by passing unconstitutional laws; this was covered over with the language of modernization favored by international agencies and which served to dismantle a fragile state for the benefit of just a few economic actors. We're also investigating the possibility that a criminal mafia was created and that what we had was a "narcostate," but it's premature to say that definitively.

**What other specific crimes are you investigating?**

OU: Of the 6.6 billion dollars of income received from the privatization of public enterprises, 1.8 billion dollars ended up being used to buy arms from intermediaries linked to Montesinos and, theoretically, to Fujimori. This was equipment to replace that destroyed in Peru's 1995 war with Ecuador. The money was paid to a single firm; apart from the misuse of funds, the purchased equipment either didn't work or was of poor quality and could have endangered the lives of our soldiers if there had been another war. The case involves 50 people from generals to the economics and defense ministers to the President. During the review of the case, Montesinos, from his jail cell, accused ex-economics minister Jorge Camet of having received kick-backs for these transactions. This occurred after Camet had publicly declared that the generals had made 40 million dollars from a military aircraft purchase.

Some 1.8 billion dollars were used to pay the foreign debt in violation of agreements with the International Monetary Fund which specifically said that these funds could be used only for social expenditures. Apparently the IMF didn't protest or even notice this irregularity.

Another 1.5 billion dollars were spent during Fujimori's presidential campaigns on programs administered directly by the President's office. It should be stressed that during this decade, responsibility for social spending was transferred from various cabinet ministries and the municipalities to the President's office.

We're also looking into the money that was taken out of the country—where did it go, where is it hidden?

**Some commentators have said that investigations like the one your office is conducting are merely partisan political exercises and have no larger significance. How do you respond to such statements?**

OU: Yes, they're saying that our commission is politically partisan, that it's a threat to foreign capital, that we're anti-patriots, and that we're going to destroy democracy. The commission is made up of two members of the current government's party, one from APRA [the populist center-left party], one from National Unity [a rightist party] and one representative of the non-party left, Javier Diez Canseco. The twenty young men and women who are working for the commission come from the ranks of the young people who went into the streets to fight for democracy during the Fujimori years. If we're partisan, it's in favor of democracy and honesty. We see no problem in disagreeing if it's based on the truth.

**Do you believe that U.S. officials knew about the kinds of corruption that you are currently investigating? If so, why did they turn a blind eye to it?**

OU: North American officials must have known about the corruption that was happening because we Peruvians knew about it. We knew that the April 5, 1992 coup was linked to drug trafficking and arms trafficking. We all knew about Montesinos' past links to this kind of thing. We all knew besides about his relations with the CIA since 1974. That's to say that if the State Department didn't know about it, it's because they didn't ask the CIA about it the moment the coup happened. This gives the impression that they did know about it and it didn't matter to them because Fujimori and Montesinos were going to stop inflation and terrorism and because they were, in the words of a U.S. president speaking of a dictator of the 1930s, "our sons of bitches"—as were Manuel Noriega, Saddam Hussein and so many others who eventually ended up as enemies of the United States. The United States has always fed dictatorships. Fujimori's was the most recent. Now, however, they have a double-barreled policy: One is to defend democracy, the other is to uphold economic reform. In the case of reform under dictatorship, the dictatorship is allowed to prevail so that it will make reforms. It all depends.

**Almost to the very end, Fujimori and Montesinos continued to have U.S. support. What was the basis for this support?**

OU: The basis seems to have been ideological—Fujimori offered to modernize the country, to deregulate and liberalize as the international institutions were demanding. The reforms were put into place the day after the 1992 coup. Fujimori offered to control terrorism, and six months after the coup [Shining Path leader Abimael] Guzmán was in jail. In exchange, the privatizations benefited foreign capital and hurt national capital. ■