

“It is the large institutions which have the greatest power to hurt us all by their attempts at manipulation,” Born warned.

### **‘Make It Legal’**

Born committed two of the cardinal sins of modern financial regulation: She criticized derivatives, and she was correct. The response of the financial community was swift and vicious, with the Plunge Protection Team and major banking groups demanding that the CFTC back off.

Among the protesters was the International Swaps and Derivatives Association, on whose board sat Enron official Mark Haedicke. Haedicke, in testimony at the same hearing as Born, behaved in Enron’s typically arrogant style, admitting that Born was right about the illegality of some derivatives, while demanding that the laws—not the illegal practices—be changed.

Congress held hearings designed to beat the CFTC into submission, including a House Banking Committee hearing in July 1998, at which Enron director Gramm testified that no further regulation of the OTC derivatives market was necessary.

“In my view, there are no systemic problems in the OTC derivatives market,” Dr. Gramm asserted, adding that “instead of looking for regulatory gaps to fill with more regulation, markets, consumers, and the economy might fare better if efforts were spent looking for unnecessary regulatory burdens to eliminate.”

The attack on the CFTC ultimately produced the Commodity Futures Modernization Act of 1999, rammed through Congress by—surprise!—Phil Gramm. The act legalized the exemption granted by Wendy Gramm, and opened the doors for even wilder speculation by her employer and Phil’s largest campaign contributor, Enron.

### **Retirement**

Senator Gramm, then chairman of the Senate Banking Committee, managed to get another speculator-friendly piece of legislation passed in 1999, the Gramm-Leach-Bliley Act, which put the final nails in the coffin of FDR’s Glass-Steagall Act.

The month before the Enron scandal broke, Phil announced that he would retire from the Senate at the end of his term, and is rumored to be in the running for the presidency of Texas A&M University, where Wendy is on the Board of Regents. Wendy has resigned from the board of Enron, and faces numerous suits because of her role there, in particular her role as a member of the audit committee.

Still, the Gramms remain remarkably oblivious to the errors of their ways. When Treasury Secretary Paul O’Neill made unkind comments about speculators in a recent hearing, good old Phil sharply disagreed. “Speculators are public benefactors who make money by making markets work better, and God bless ’em,” he said.

## **Mass Opposition Grows To Peru’s Privatizations**

by Sara Madueño

The survivability of the Alejandro Toledo government in Peru is very much at issue. Nine months after Toledo assumed the Presidency—with the help of \$1 million from mega-speculator George Soros, and a coup d’état organized by Wall Street and the U.S. State Department against the government of Alberto Fujimori—71% of the population disapproves of Toledo’s rule, says a survey taken in late April by the company *Analistas y Consultores*. At the start of May, a poll taken by the University of Lima registered a 66% disapproval rating against 25% approval; when Toledo took office last July, he enjoyed a 60% approval rating, with only 11% against. His administration’s dramatic decline has surpassed the most pessimistic projections, and no one would be surprised if he ended up like Fernando de la Rúa in Argentina, forced to resign the Presidency before his term is up.

The polls also reveal that 66% of the population reject the core of Toledo’s economic policy—privatizations of the state companies—while 75% believe he has failed to fulfill his campaign promises and that his economic policies lack a “human face.”

The great irony, is that the University of Lima poll shows that the administration of former President Fujimori has an approval rating higher than that of Toledo! This unmask the over-used imperial term “democracy,” which was employed to force the elected Fujimori to resign and to put Toledo in power. According to the same poll, 45% of Peruvians do not believe that democracy exists under Toledo’s reign.

What is actually revealed is that Peruvian “public opinion” has been so naive, so volatile, and so easily manipulated by international forces, that it has been used to impose and depose governments at the whim of these same foreign forces. But apart from often-manipulated polls, the political reality in the country speaks for itself. In early May, Peruvians disgusted with Toledo’s failure to provide the jobs and to live up to other campaign promises which had won their votes, booed the Peruvian President as his own bodyguards yanked him out of Gamarra, the largest industrial-commercial complex in Peru, when angry crowds jeered and threw empty plastic bottles and other garbage.

### **Privatization of the Energy Sector**

These scenes are occurring while the entire country faces an unprecedented panorama of social convulsion: strikes, protest marches, rallies against the same neo-liberal economic



*Popular support for Peruvian President Alejandro Toledo, the darling of Wall Street, Project Democracy and the Inter-American Dialogue, has collapsed. Former President Alberto Fujimori, villified, ousted and exiled last year, now has more popular support than Toledo.*

policies that have led Argentina to the abyss. And all the while, a President faithful to the international banks and corporations which sponsor him, has surrendered the government and the national economy to an Economics Minister chosen by Wall Street—George Soros' man in Peru, Pedro Pablo Kuczynski. PPK, as he is known, whom even the pro-government daily *La República* has baptized “Viceroy Kuczynski,” has as his primary mission to accelerate the pace of privatizations, especially of the energy and agriculture sectors. This mission has taken on special urgency in recent months, as the nation's economic crisis has produced a collapse in tax revenues and consequent deficit in public spending, a deficit which PPK and his international bosses now hope to cover by selling off the national patrimony.

In the energy sector, the privatization of the Hydroelectric Complex of Mantaro is the largest jewel in the crown. Part of this complex is the Santiago Antúnez de Mayolo hydroelectric project, the largest in the country with a potential of 1,200 megawatts, representing 95% of the assets of the state's energy company Electroperú. This hydroelectric project is also the foundation of the Center-North Interconnected System (SICN), with an impact on 12 of Peru's 24 departments, an area which includes Lima and represents 80% of the nation's electricity generation. Together with the Mantaro Hydroelectric Complex, PPK has also put the electricity distribution company Electrocentro, in the central zone of the country, on the auction bloc.

Also on the privatization agenda in the short term are the companies Generación Eléctrica de Arequipa, S.A. (Egasa) and Generación del Sur (Egesur). Egasa provides electricity to the strategically key department of Arequipa, and Egesur delivers energy to several departments in Peru's south. Both companies are also profitable at the present time. Egasa, as the former President of the board of that company Armando Fúster Rossi recently indicated, is part of a hydroelectric and agricultural complex that cannot be split up, and which must

be run as a unit to be able to channel the waters from the Andes highlands toward the arid Pacific coast. Therefore, explained Fúster, there are weighty reasons—strategic, technical, and financial—not to privatize Egasa.

### **The ‘Gringo’ and His ‘Cholo’**

This year's May Day was preceded by a totally effective 48-hour general strike in the central region of the country, in opposition to the government's economic liberalism, and in particular, against the privatization of the Mantaro Hydroelectric Complex and the company Electrocentro. Demonstrators chanting “Kuczynski is the gringo, Toledo is his ‘cholo’ [‘Indian’],” blocked nearly five kilometers of the Central Highway and main ports of the region, preventing traffic of both cargo and passengers into Lima.

At the same time in the North, the city of Talara was shut down, to warn of its opposition to the privatization of the Talara oil refinery, which is also on the government's “for sale” list. The Macroregional Convention of Agricultural Producers of the Center (Conveagro), encompassing more than 150,000 producers, announced the start of an indefinite regional strike, affecting Peru's so-called agricultural dispensary. It is expected to affect 60% of Lima's food market. The strikers' main demand is to reactivate agriculture, including suspension of the mass importing of foodstuffs subsidized in their countries of origin and “dumped” on Peru's market.

In late April, Lima was also the site of a mass march on the Congress and Presidential mansion, by some 10,000 workers convoked by the leftist General Workers Federation of Peru (CGTP), in opposition to privatization, and to demand jobs and a thorough revision of the government's economic and foreign policies. After handing their written demands over to the Congress and to the government palace, CGTP General Secretary Juan José Gorriti, announced a national strike to be held May 14, with the same demands.

The South, too, was the scene of a 48-hour strike in mid-April, specifically against the intended privatization of Egesur and Egasa. The city of Arequipa, the second largest in Peru, sponsored a mass meeting against privatization of the nation's assets.

### **‘The Mirror of Argentina’**

Just weeks before these mass protests began, an important conference was held in Lima, which provided a strategic and programmatic orientation to all of this popular ferment. On March 20, the Association of Laid-Off and Retired Employees of Petroperú (ACEJUB) joined with *EIR*, in organizing a forum entitled, “Stop the Argentinization of Peru: Change the Economic Policy and PPK, Father of Privatizations.” Before a select audience of more than 300 people, PPK's role as Soros' lackey was detailed, and his responsibility as sponsor and strategist of Peru's privatizations, ever since he held the post of Mines and Energy Minister in the 1980s.

At the event, Luis E. Vásquez, executive director of *EIR*



*Peru's Wall Street privatizer and super-minister, Pedro Pablo Kuczynski (left), may be courting the fate of his puppet colleague of the Street, Argentina's former Finance Minister Domingo Cavallo (right), now disgraced and in prison. So said EIR's Luis Vásquez at a forum in March. Mass strikes and demonstrations are now demanding Kuczynski's removal.*

in Peru, warned that PPK is a clone of the former Argentine Economics Minister Domingo Cavallo, now jailed for his crimes against that country, and that “Peru should see itself in the mirror of Argentina.” In addition, Carlos Repetto Grand, President of ACEJUB and former manager of the Area of Refining and Petrochemicals of Petroperú, spoke about “the origins and failure of the privatization of Petroperú.” That morning, Repetto, who heads up the national campaign against Petroperú’s privatization, led a march to the Congress, to deliver a bill to overturn the privatization, accompanied by the 50,000 signatures required by law.

The clamor of the citizenry has found an echo among some legislators. In early May, various multi-partisan groups of Congressmen presented the Congress with as many as five different bills, all demanding that the entire national hydroelectric sector be declared untouchable, and urging the exclusion of the Mantaro Hydroelectric Complex in particular, from the list of companies to be sold off.

In addition to arguing the strategic national and regional importance of the sector, the Congressmen—two of whom are from the ruling party, Perú Posible, others from its allies Acción Popular and the Moralizing Independent Front, and the majority from the opposition National Unity and APRA parties—pointed out that, in every case, they are talking about functioning and efficient companies. For example, the Mantaro complex was distinguished last year with the prestigious ISO 9002 certification by the company SGS of Peru, accredited with the company Belcert of Belgium. The argument that these plants are supposedly inefficient, which is used to justify their privatization, could not be more false. Further, the legislators noted the Mantaro complex is owned by the National Fund of Public Savings (Fonahpu), a fund which provides for pension payments to Peru’s retirees.

### **PPK in the Footsteps of Cavallo**

Kuczynski is undoubtedly the single most despised figure in Peru. Ever since assuming his post, he has explicitly said that he is ruling the country on economic matters, and on behalf of the creditor banks. In early May, having turned a deaf ear to the population’s protests, he warned that he would continue with the privatizations of the energy sector and that none of the electric companies would be subject to a referendum decision, as some in the opposition have demanded. For its part, the Congressional opposition has been collecting signatures to call PPK before Congress for questioning in May. Some media, such as the daily *La República* and the magazine *Caretas*, are already announcing PPK’s imminent departure from the government.

President Toledo has taken it upon himself to announce to the four winds that PPK’s future is his own. Following his election, and nomination of PPK as Economics Minister, a euphoric Toledo last July flattered a group of New York bankers, promising them that Kuczynski “will stay until the last day of my administration.” In fact, that was the key condition imposed by the banks, in exchange for their support of Toledo’s Presidential campaign. This was admitted outright in a *Wall Street Journal* article reproduced on May 11, 2001 in the Peruvian daily *El Comercio*. The *Journal* had described PPK turning “from a Wall Street banker into a key operator in the upcoming Peruvian elections” and “a great asset for Alejandro Toledo.”

Ironically, that same article had cited the currently jailed Domingo Cavallo, endorsing PPK as a colleague and “a very good economist.”

It is possible that the Peruvian population will give PPK the same “thank you,” that the Argentines gave to Cavallo. The question is, will Toledo share PPK’s fortune?