

IMMEDIATE

f 604-cwp



CONFIDENTIAL

INCOMING

X47

ACTION

DEPARTMENT OF STATE  
ARA/NEA REARCS

PAGE 01 OF 02 LIMA 05180 00 OF 03 081922Z 022057 S084266  
ACTION: PE (02)

LIMA 05180 00 OF 03 081922Z 022057 S084266

INFO: DAND (01) SPA (01) PMC (01) RJ (01) RSG (01) ARA (01) PPC (01)  
DECP (01) ECP (01) OAS (01) PPA (01) DM (01) VE (02) CO (02)  
EC (02) BL (02) CI (01) AR (01)

CLEARING, AND RUNS ON SOME COOPERATIVES AND THE WEAKER GOP BANKS HAD STARTED. MOREOVER, SBS DOCUMENTS COULD NOT BE PREPARED TO PERMIT PAYMENT TO DEPOSITORS OF THE BANKRUPT BANCO CCC, NOR COULD THE SUPERINTENDENT INTERVENE TO CLOSE THE BANKRUPT BANCO POPULAR AS SCHEDULED THIS WEEK.

----- 08/1929Z A2 LM (TOTAL COPIES: 024)

ACTION ARA-00  
INFO LOG-00 ACDA-15 AID-00 AMAD-01 CEA-01 CIAE-00 COME-00  
CTME-00 C-01 DEAE-00 DODE-00 EB-00 EXIM-06 E-01  
FRB-03 HA-09 H-01 INM-00 INRE-00 INR-01 ITC-01  
JUSE-00 LAB-04 L-00 ADS-00 MSAE-00 NSCE-00 OIG-00  
OMB-01 OPIC-00 PA-01 PM-00 PRS-01 P-02 SNP-00  
SP-00 SSC-01 SSO-00 SS-00 STR-20 T-01 USIE-00  
/091W

5. PERHAPS EVEN WORSE, GARCIA SALVATTECCI SAID, FINANCE MINISTER CARLOS BOLOMA HAD NO IDEA THAT THE SBS AND BCR WERE UNDER MILITARY OCCUPATION UNTIL INFORMED BY THE SUPERINTENDENT. BOLOMA HAD TOLD GARCIA SALVATTECCI THAT HE COULD NOT DISCOVER THE REASON FOR THE ACTION NOR WHEN IT MIGHT END.

-----24C980 081928Z /44 38

O 081914Z APR 92  
FM AMEMBASSY LIMA  
TO SECSTATE WASHDC IMMEDIATE 7209  
TRSYDEPT WASHDC IMMEDIATE  
INFO AMEMBASSY CARACAS  
AMEMBASSY BOGOTA  
AMEMBASSY QUITO  
AMEMBASSY LA PAZ  
AMEMBASSY SANTIAGO  
AMEMBASSY BUENOS AIRES  
USCINCSO QUARRY HEIGHTS PM

CONFIDENTIAL LIMA 05180

TREASURY FOR ELLEN WYATT

E.O. 12356: DECL: OADR  
TAGS: EFIN, PGOV, SNAR, PE  
SUBJECT: SUPERINTENDENT OF BANKING ON

IMPLICATIONS OF COUP

1. CONFIDENTIAL - ENTIRE TEXT;

2. SUMMARY: PERU'S BANK SUPERINTENDENT TOLD ECONOFF APRIL 7 THAT THE SUPERINTENDENCY OF BANKING (SBS) AND CENTRAL RESERVE BANK (BCR) HAD BEEN UNDER MILITARY OCCUPATION SINCE THE COUP, THREATENING THE FINANCIAL SYSTEM WITH COLLAPSE. LATER THAT DAY, HOWEVER, HE CALLED ECONOFF TO SAY THAT THE SBS AND BCR HAD BEEN REOPENED. HE HAD BEEN ASKED TO STAY, [REDACTED] END SUMMARY.

3. ECONOFF MET WITH HUGO GARCIA SALVATTECCI, SUPERINTENDENT OF BANKING (SBS) ON APRIL 7. THE MEETING TOOK PLACE IN THE SUPERINTENDENT'S HOME, AS THE SUPERINTENDENCY'S OFFICES HAD BEEN MILITARILY OCCUPIED.

FINANCIAL SYSTEM INCREASINGLY FRAGILE

4. THE SUPERINTENDENT WAS QUITE CONCERNED ABOUT THE FATE OF PERU'S FINANCIAL SYSTEM. WITH THE MILITARY OCCUPATION OF THE SBS AND THE CENTRAL RESERVE BANK (BCR), NO ONE WAS PERMITTED TO ENTER OR LEAVE THESE OFFICES. BOTH ENTITIES WERE EFFECTIVELY INOPERATIVE, AND THE FINANCIAL SYSTEM LACKED ANY SUPERVISION WHATSOEVER.

INTERBANK TRANSACTIONS WERE ONLY TAKING PLACE THROUGH IMPROVISED ARRANGEMENTS; CHECKS WERE NOT

6. THE SUPERINTENDENT, WHO HAS NAVIGATED PERU'S FINANCIAL SYSTEM THROUGH ROUGH WATERS BEFORE, AND WHO STOOD UP TO ALAN GARCIA TO PREVENT THE NATIONALIZATION OF THE BANKS, WAS PESSIMISTIC. "IF THE MILITARY OCCUPATION OF THE SUPERINTENDENCY AND CENTRAL BANK CONTINUE FOR TWO OR THREE MORE DAYS, THEN THE SYSTEM WILL COLLAPSE AND THERE IS NOTHING I CAN DO." AS THE FRAGILITY OF THE FINANCIAL SYSTEM BECAME MORE EVIDENT, DEPOSITORS WERE LIKELY TO INITIATE RUNS ON THE MORE VULNERABLE BANKS, UNDERMINING THE ENTIRE SYSTEM.

7. GARCIA SALVATTECCI SAID HE HAD OFFERED TO RESIGN IF THE PRESIDENT WANTED A NEW SUPERINTENDENT. HE WAS CONVINCED THAT THE SURVIVAL OF THE FINANCIAL SYSTEM REQUIRED IMMEDIATE RESOLUTION OF THE SITUATION, AND GARCIA SALVATTECCI WOULD TAKE WHATEVER ACTION WAS NECESSARY TO MAKE THE TRANSITION TO HIS REPLACEMENT LEGITIMATE. BOLOMA HAD ASKED HIM TO REMAIN IN THE POSITION, SAYING THAT "PERU NEEDS YOU"; BUT HAD BEEN UNABLE TO PROVIDE ANY FEEDBACK ON FUJIMORI'S PREFERENCES AND/OR DECISIONS ON THIS ISSUE.

(NOTE: JUST AFTER THIS CONVERSATION, THE MILITARY WITHDREW FROM THE BCR AND SBS. FINANCE MINISTER BOLOMA PERSONALLY ESCORTED GARCIA SALVATTECCI TO THE SUPERINTENDENCY TO MAKE CLEAR THE REGIME'S SUPPORT FOR HIS CONTINUITY.)

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SUPERINTENDENT NEARLY ARRESTED  
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8. JUST FOLLOWING FUJIMORI'S ANNOUNCEMENT OF THE COUP LATE ON APRIL 5, THE SUPERINTENDENT WAS NEARLY ARRESTED. HE WAS AWAKENED BY HIS SON TO HEAR FUJIMORI'S ANNOUNCEMENT, AND SEVERAL MINUTES LATER A LARGE NUMBER OF MILITARY APPEARED AT HIS HOUSE (AT LEAST 10-15 WITH TWO MILITARY TRUCKS) SAYING THAT THEY HAD AN ORDER FOR HIS IMMEDIATE ARREST. HE ASKED AND RECEIVED PERMISSION TO DRESS AND FIND SOMEONE TO LOOK

AFTER HIS YOUNG SON. WHEN HE RETURNED TO THE DOOR, HE WAS INFORMED THAT THERE HAD BEEN A MISUNDERSTANDING AND THAT THERE WAS ACTUALLY NO ORDER FOR HIS ARREST.

9. GARCIA SALVATTECCI IS AWARE THAT HIS APARTY MEMBERSHIP IN ITSELF IS SUFFICIENT CAUSE FOR ARREST AND DETENTION UNDER THE NEW REGIME.

DEPARTMENT OF STATE  
Date: 4/30/92  
CLASSIFY AS ( ) S or ( ) C Sec  
( ) DOWNGRADE TO ( ) S or ( ) C  
FOIA Exemptions  
PA Exemptions  
RELEASE  
EXCISE  
DENY  
DECLASSIFY IN PART  
EO 13526

9/8

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PAGE 02 OF 02 LIMA 05180 00 OF 03 081922Z  
HE AND PARTY PATRIARCH LUIS ALBERTO SANCHEZ ARE  
TWO OF THE HANDFUL OF APRA PARTY MEMBERS NOT  
CURRENTLY UNDER ARREST OR IN HIDING. HE  
THEREFORE ANTICIPATED ARREST AS A DISTINCT  
LIKELIHOOD. HE WAS RELIEVED THAT HIS WIFE IS  
OUTSIDE PERU, BUT WAS CONCERNED ABOUT HIS SON.

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LIMA 05180 00 OF 03 081922Z

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END." FUJIMORI WAS, HE THOUGHT, MISLED INTO  
BELIEVING THAT THE INTERNATIONAL REACTION TO  
THIS COUP WOULD BE MILD OR EVEN SUPPORTIVE. BY  
WHOM WAS HE MISLED? HIS OWN ARROGANCE AND  
MONTESINOS ("A DARK POWER.") AS INTERNATIONAL  
REACTION APPEARS MORE NEGATIVE THAN ANTICIPATED,  
FUJIMORI IS LIKELY TO SEE HIMSELF TRAPPED AND  
REACT VIOLENTLY. "THIS WILL MEAN INCREASING  
REPRESSION AND BLOODSHED."

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THE COUP AND AFTERMATH  
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10. [REDACTED]

-- ALAN GARCIA AND AGUSTIN MANTILLA HAD BOTH  
BEEN TIPPED OFF ABOUT IMPENDING ARREST ONE HALF  
HOUR BEFORE FUJIMORI'S SPEECH. GARCIA BELIEVED  
THE INFORMATION AND ESCAPED IMMEDIATELY.  
MANTILLA DID NOT, AND WAS ARRESTED AT HIS HOME.

-- GARCIA'S LONG-TIME CONFIDENTIAL SECRETARY

MIRTA DE LARRAURE HAD BEEN ARRESTED AT 4:30 AM  
ON APRIL 6. HER HUSBAND TRIED TO PROTECT HER  
AND WAS BADLY BEATEN. THE MILITARY REPORTEDLY  
HOPED TO FIND OUT FROM HER THE LOCATION OF  
GARCIA IN HIDING. SHE HAS NOT BEEN SEEN OR  
HEARD FROM SINCE.

-- THE MILITARY FOUND ONLY GARCIA'S YOUNG  
CHILDREN AND A MAID WHEN THEY ENTERED THE GARCIA  
HOME LATE APRIL 5. THEY KEPT THE CHILDREN UNDER  
HOUSE ARREST AND INCOMMUNICADO, IGNORING APPEALS  
FROM THE CHILDREN'S GRANDMOTHER AND AUNT TO BE  
ALLOWED TO SEE OR SPEAK TO THE CHILDREN, FOR  
CLOSE TO 20 HOURS UNTIL MRS. GARCIA RETURNED TO  
PERU LATE ON APRIL 6 AND DEMANDED TO ENTER THE  
HOUSE. SHE HAS NOW JOINED HER CHILDREN UNDER  
HOUSE ARREST.

-- GARCIA WAS CAUGHT BY MILITARY TROOPS AND  
ARRESTED EARLY ON APRIL 7. NO ONE IN APRA KNOWS  
WHERE HE IS BEING DETAINED OR HIS CONDITION.

-- PARTY PATRIARCH LUIS ALBERTO SANCHEZ (ELDERLY  
AND BLIND) IS FREE AND IN HIS OWN HOME. THE  
NEWS MEDIA ARE PROHIBITED FROM INTERVIEWING HIM.

-- EX-INTERIOR MINISTER VILLANUEVA IS IN  
HIDING. GARCIA SALVATTECCI COMMENTED THAT  
VILLANUEVA "HAS PLENTY OF EXPERIENCE IN  
CLANDESTINE LIVING, BUT HE IS OLD AND VERY ILL."

-- THERE WERE UNCONFIRMED RUMORS OF THE ARREST  
OF MERCEDES CABANILLAS (EX-MINISTER OF  
EDUCATION) AND MONSIGNOR JOSE DANWERT.

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MONTESINOS  
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11. SPECULATING ON THE REASON FOR THE COUP,  
[REDACTED] CALLED IT A SERIOUS  
MISJUDGMENT. "I AM NOT BLIND. I KNOW THAT  
CONGRESS IS A DISGRACE AND THE JUDICIARY EVEN  
MORE SO. BUT THIS WAS NOT NECESSARY. THERE  
WERE CONSTITUTIONAL WAYS TO ACHIEVE THE SAME

12. [REDACTED] EXPRESSED THE FEAR THAT  
FUJIMORI WAS ONLY A TOOL OF THE MILITARY, AND  
THAT THE REAL POWER WAS MONTESINOS. ONCE THERE  
IS NO REASON TO KEEP UP THE PRETENSE OF  
DEMOCRATIC LEGITIMACY FOR "THE NEXT STEP IS  
LIKELY TO BE REPLACEMENT OF FUJIMORI WITH A  
GENERAL."

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SUPERINTENDENT TO RESIGN  
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15. GARCIA SALVATTECCI TELEPHONED ECONOFF LATE  
ON APRIL 7 TO SAY THAT THE SUPERINTENDENCY HAD  
BEEN REOPENED, THAT HE HAD BEEN CONFIRMED IN THE  
POSITION AND ESCORTED TO HIS OFFICE BY BOLONA.

[REDACTED]