

GROUPS OF ECONOMIC POWER IN PERU

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INTRODUCTION

The concentration of economic power has been a central feature of the Peruvian economy throughout its history (Anaya, 1972: 10). The research concerning this problem began in the mid sixties with the pioneering work of Carlos Malpica (Guerra a Muerte al Latifundio, 1967). During the seventies, spurred by the property reforms under the government of General Velasco, the amount of research on the concentration of economic power in production, in the various economic sectors and with regard to the role of the family groups ("clans") increased. During the eighties, the quantity of research again increased. This clearly demonstrates the increased awareness of the problem of capital concentration in Peru.

This study will attempt not only to define the power structure, but also to explain the nature of the present crisis, and the nature of those social and economic forces which encroach upon the development of the country.

The existence of economic groups is at the heart of the problem of economic concentration (Alcorta, 1987: 65). The principal economic groups of the country have been able to establish close ties with the commercial banks, creating a powerful union and causing financial resources to be channalled towards their own enterprises. The appropriation of financial resources by

a reduced group of agents points to the problem of credit concentration in recent years. Credit concentration allows the absorption of resources by a small group of economic agents. In most cases, these agents are enterprises related to banking firms that render access to credit difficult for other enterprises, thereby decreasing the development potential at the aggregate economy. In this context, we also have to consider the increasing weakness of the Peruvian financial system which is unable to support the economic development of the country.

The process of financial intermediation has continued to decrease since 1983, mainly because of negative real interest rates (although there was some improvement in 1985-86). As a result of low interest rates, financial resources have been oriented towards stock accumulation, informal buying and selling of foreign currency, and unproductive investments, as well as informal banking system that is now in direct competition with commercial banks. As a consequence of the powerlessness of the financial system, the monetary resources available for lending have decreased dramatically. The fight for these resources becomes more and more intense.

The lack of monetary liquidity in the financial system halts production, limiting the growth of the productive system and causing an even higher concentration of credit granting. There are several factors behind this situation: the lack of liquidity in the

system, makes duties repayment difficult, especially for small customers; the largest conglomerates entwined to the banks have priority access to the few existing resources; and the largest enterprises with well demonstrated solvency and frequent contact with the bank have easy access to credit. This credit policy implanted by the commercial banks led not only to the concentration of credit, but also more importantly, to the transfer of resources from the savers (small to medium enterprises or families) to large oligopolistic enterprises. According to the Andean Report, the credit concentration in companies owned by the shareholders of the banks is a traditional feature of the Peruvian banking system (Andean Report, Sept. 1985). The cases of the last three commercial banks taken over by the state (1981-1983) proves this fact. In 1935 when the banking law was established in the country, the Kemmerer mission presented the problems caused by credit concentration and demonstrated that these problems existed in the Peruvian system. The credit concentration allows specific enterprises in specific sectors to receive credit, leading to concentration of production in the real sector of the economy and making the big bigger, and the small smaller.

The economic group as a conglomerate integrated under one management, and entwined in the management of the commercial banks, assure the availability of financial resources required by the productive process of their enterprises. This helps the economic groups to reinforce their position in their respective markets,

thus strengthening the process of concentration.

As can be seen, the economic concentration problem seems to be inherent to the Peruvian system and to the underdeveloped market of capital which does not grant the necessary support for the country's development. Two questions arise: what is the magnitude of this concentration and how does the concentration affect the real sector of the economy? The answers to these questions will be considered further on in this paper. The consequences of concentration in the real sector and the presence of powerful economic groups create serious problems for the development plans of the country. To manage these problems, credit democratization as well as an effective antimonopolic policy is required.

The most important point in this problem is to demonstrate the economic groups' participation in the structure of the banks, and their influence in the real sector. This research will be based on the five largest commercial private banks of the country which control 47.5% of the financial resources of the entire economy (SBS, 1989: appendix 38).

Five commercial banks will be considered in this paper: Banco de Credito del Peru, Banco Wiese Ltd., Banco de Lima, Banco Mercantil del Peru and Banco Latino de Fomento de la Construcción. These particular banks have been selected because, according to E.

Anaya (1990) they make up the Peruvian financial oligarchy.

For the sake of clarity, this paper is divided into four chapters. The first chapter presents theoretical approaches to this problem, based mainly on Latin American research. The second chapter describes the structure of the economic groups at the present time in Peru, and gives a general overview of their formation. The third chapter presents the empirical evidence obtained after a three-month period of collecting data and estimation of indexes of concentration. Finally, in chapter four, the magnitude of the economic groups in the economy is discussed, as well as their relevance and some important effects on the economic system. Here, we will also present some considerations and the necessity for an antimonopolic policy in the country.

The methodology used in the data analysis is the same as that used by L. Alcorta (1987). We therefore experienced the same problems, which will be discussed later. This paper compares the findings for 1989 with the results obtained by Alcorta for 1983, leading to some interesting conclusions. However, the most important finding of the research is the existence of what we will call a "Supergroup", and its importance in the system.

The purpose of this paper is to present the evidence obtained and to analyse it in order to see the effects of economic concentration due to the groups under study.

CHAPTER I

THE CONCENTRATION OF ECONOMIC POWER

The first chapter presents the general concepts of the concentration of economic power, some review of the literature and some empirical evidence on the topic that will help us understand economic groups and their relevance to economic development.

1. THE ECONOMIC CONCENTRATION PROBLEM IN LATIN AMERICA: THEORETICAL APPROACHES

A review of the literature on the economic power groups shows that the topic has not been thoroughly developed and that its importance in the field of economic development has not been properly considered. While the problem of economic concentration has been extensively analyzed, only a very few people have been able to establish the relationship between economic concentration

and economic power groups. The following review of the literature on this topic mention some interesting ideas on the definition of an economic group, the logic behind their formation and the theoretical effects of them on the economy.

THE ECONOMIC GROUP

An economic group can be defined as a system of enterprises managed in accordance with a common policy, and linked to a financial institution, which maintains the group's legal autonomy (Alcorta, 1987 : 10). The enterprises that belong to a group do not form a hierarchy but rather are linked within the group through multiple functional, financial and/or personal ties. Whatever structure is adopted, the purpose of enterprises and economic groups is to increase profits. This can be achieved by reducing costs (through economies of scale) or by increasing prices (through oligopolistic power).

In practice industrial enterprises (within a group) accomplish the same function as a Cartel. The industrial enterprises usually distribute the markets, the sources of raw materials (in accordance with prices) and the orders. The difference is that a Cartel involves a formal agreement, while in economic groups, these decisions are often made by the economic group leaders in an informal manner.

The crucial element in every economic group is the existence of a commercial bank connected to several enterprises

operating in various economic sectors (Patrick and Moreno, 1982: 32). When commercial banks turn into economic groups, they become the nerve center of the country. They pull the strings of all the enterprises, thus dictating to the group hierarchy what the plan of action should be. Factors that bring about the development of the economic group transform it into an extremely diversified union. This form is adopted in consequence of the accumulation of capital and the large concentration existing in the groups. Frequently, confronted with the impossibility of using these resources in a lucrative way, they choose to diversify their investments. Diversification is one of the more distinctive features of the group. Often economic groups are not interested in retaining control of enterprises operating in areas that are no longer lucrative. The groups then enter more lucrative sectors, thus modifying their structure in accordance with the new tendencies in the economy, in order to maintain the same accumulation process.

The economist S. Menshikov (Anaya, 1990 : 44) argues that the economic group is a superior form of monopolization. Groups are different from Cartels, labor unions, Trusts and Consortia, because they integrate the different forms of monopolization increasing control in a new qualitative level. We can say that in an economic group we can find all the elements inherent to the different forms of monopolization.

According to Ricardo Lagos Escobar (1960: 55) the economic group presently represents the highest degree of concentration obtainable. Within it, enterprises are linked by the

economic power of an individual or family group, without any functional reason for the union. It is true that in some cases, there may be a connection based on production, but as a general rule, this union is for the economic power of an individual, a family, a group, or sometimes of a region, which has contributed to a defined accumulation pattern in developing countries.

When analysing the accumulation process in developing countries, an inherent pattern of structural heterogeneity emerges. According to Prebisch, "the heterogeneity of the social structure is shown in the dimensions of the labor force that must be absorbed ..." (1981 : 58). The scarcity of jobs and the consequent existence of an important number of unemployed and under-employed people is just one of the various manifestations of the existing heterogeneity in developing countries.

History demonstrates that in order to ensure a successful economic and social development process, the following is required: a significant increase in agrarian productivity, the production of mass consumption goods affordable to the country's population, the development of means of production to support agriculture and industry, the production of intermediary goods, and the creation of an infrastructure and collective consumption goods such as education, healthcare and transport. Economies become viable when the growth process interrelates all of these activities so that structural articulation is generated throughout the economy. In time, economies acquire more and more coherence in order to productively integrate larger sectors of the population. There

appears to be a coherent relationship among the level of employment, the level of production, the distribution of income and the consumption structure. An homogenous process is produced, and gradually technical progress and structural change become the principal determinants of growth. In other words, an accumulative process of successive stages that tends to a social and technical homogeneity is produced (Senghaas, 1985 : 55).

This accumulative process does not occur in developing countries. It is totally different. The accumulation processes in these countries are characterized by concentration and exclusion, and these reinforce their structural heterogeneity (Senghaas, 1985: 55). The dynamic sectors are those which are more concentrated; there is no generalized growth in production, productivity, income or employment. It is also doubtful that the surplus generated in the dynamic sectors remains in the country. Large segments of the population are not involved in the productive process and remain poor. The production of food, popular consumption goods, intermediate goods and goods of capital is limited, while the production of collective consumption goods, such as education and health have accentuated the various disparities rather than reduced them. Generally speaking, there is a lack of coherence in the socio-economic development within these countries. This is characterized by the inter-relation of agriculture and industry, a poor development of the productive activity, and a productive structure intended to satisfy those with higher incomes and a limited domestic market (Senghaas, 1985 : 57).

In order to achieve a coherent accumulation structure, the productive base must be re-structured. To this end, the existing industrial and commercial organizational structures must be reevaluated. Policies designed to increase demand support this objective and have a significant impact on the reduction of the concentration within given periods. However, the fastest and most efficient way to get results would be through direct action on the supply and on the enterprises that generate the problem. Experience shows that policies which only stimulate the economic growth rate, although extremely necessary can also aggravate existing disparities, since they do not account for important structural changes.

Certainly this problem will require a major participation from the state in the management of economic activity along with policies specifically designed to combat monopolies. It also requires a more centralized management of the resources allocation by the state, but at the same time it cannot constitute an obstacle to productive activity. The major plan required by the sketched changes will not be an easy task, since the largest transnational enterprises and national economic groups that benefit from the present situation have more access to the state entities than the possible beneficiaries of the changes to be carried out.

Within the economic concentration analysis, N. Leff (1976), shows that the presence of "groups" in less developed countries implies the existence of a different capitalistic organization. He proposes this characteristic as a new way to

analyse the problem of economic development in those countries, through the analysis of the "groups". He defines the group as a structure for the appropriation of revenues, that provides access to scarce productive resources, allowing a constant productive process. Leff considers that the groups tend to be self-sufficient in all the steps of the productive process. For this purpose the choice of new investments tends to be based on trying to improve the vertical linkages within the group, basically to avoid dependency on monopolists, oligopolists or oligopsonists.

The advantages that a vertical integration generates are well known in the developed countries (Leff, 1976 : 94), but this author considers that they can probably be larger in the less developed countries. For him, the probability of having a larger dominion in the market is greater in underdeveloped economies than in the developed ones, because in those economies the internal markets are commonly very small to meet many suppliers or demanders of intermediate goods.

Leff considers that the "groups" have helped less developed countries to develop a "managerial spirit", like in the large enterprises in the modern capitalistic systems. The existence of these groups has allowed the presence of a "managerial spirit" in the "pure" Schumpeterian sense. This is because the group provides the capital, administrative and technical resources needed to take advantage of the opportunities in the market. The group is able to economize on limited resources, economies of scale, etc. that are involved in the large and diversified activities of the

group. For Leff, the groups have reduced the uncertainty of investments, because it is shared by the partners and minimized by diversification of activities. However, in this respect, Kaldor (1934: 67-68) said that the groups assume the uncertainty as implicit. The elimination made by Kaldor of the role of uncertainty could be useful in a context of a developed capital market but not in underdeveloped economies, where uncertainty is the basic feature (Leff, 1976 : 98). On the other hand, Schumpeter (1934 : 25) considers the assumption of risk but not uncertainty. He says that the group formation around a banking firm reduces risk in the productive process. For him the most important thing required by the producer is a tight relationship with the banker who will give him the money. He established that the basic condition for any group to be able to develop is access to the financial system. The author says that the participation in banking by the groups is common in all countries. But What happens when the capital market is not developed and the producer has to be his own banker, as happens in the groups? This shows a new vision for the economic development analysis that has not been studied in all its dimension yet.

Another important study on the role of economic groups in Latin America was done by T. Sanfuentes (1984). This author highlights the theoretical possibility of the advantages and positive effects on the economy by the groups. He agrees with Leff, on the groups role in mobilising capital. For him the utilization and mobilization of human resources is very limited within a group,

because normally the executives are chosen from a group of people who have some participation in the property. The separation between property and control does not exist in the private sector of less developed economies. However, the internal relationships within the group allow the formation of larger executive teams than in any other case. This facilitates the delegation of authority and allows the enterprises to avoid organizational problems. Consequently, though the groups may get some new economies of scale and reach higher production levels and growth rates, that would not have been otherwise feasible (Sanfuentes, 1984 : 23). The economies of scale and the different activities of the group affect the rate of return of capital and the rate of capital formation in less developed countries. The capacity of the groups to come up with financial, administrative and technical resources for new investments, avoid problems, in the sense that the rate of return of capital does not decrease in the existing activities. Furthermore, the power of these groups in the market generates a rate of return high enough to compensate the fall.

The same author considers, as well as Leff, that the diversification of activities reduces the risk. If all risk were assumed by single individuals there would be no investments. This reduction in the risk and the high rate of return proper of these groups have led to fast industrial growth in many countries, but it has also created a new form of monopolistic capitalism that has caused new distortions in the market, transforming the imperfections in the market of factors into imperfections in the

market of goods. (Sanfuentes, 1984 : 28).

Tokman (1973 : 37) points out the instability and uncertainty that affects the Latin American region and the presence of economic groups as the basic way to avoid the uncertainty. For him, the power and market participation of these groups have to be quite high to be able to manage their enterprises as under a "full information" environment. This implies that there must exist a good vertical integrated structure within the group that allow it to be independent of raw materials suppliers and traders at any level of the productive process. The natural consequence of such concentration is a high yield for the owners. Even though the disparities in the income distribution tend to increase, this has been the way used by many countries to start a new style of development and the groups have supported it (Tokman, 1973 : 41). However, the concentration process has caused many imperfections in the market and the state has not intervened to regulate it (Tokman, 1973: 42).

D. Rangel supports Tokman's position. For Rangel (1972: 111) the existence of the groups is required to start fast growth, because only with control of all the stages of the productive process is a fast and constant growth possible. Rangel considers that the dynamic of the modern capitalist system tends to replace individual participation by a family group, due to the size and the difficulties involved in promoting concentration. Latin America is part of this process of concentration, and most importantly none of the countries has avoided the tendency of wealth concentration

(Rangel, 1972 : 49). The groups have created a way to keep constant capital flows to work under the inherent limitations of the markets in less developed countries, allowing the management of the resources of the whole society in hands of few people, connected to the real and the financial sector of the economy.

For A. Quijano (1971 : 71-75) the economic concentration is part of the capitalistic world context. For him all the models or stereo-types used some years earlier to explain the problem are useless based on the following aspects: 1) The structure of domination in all the basic dimensions of society has been redefined; 2) the political crisis in Latin America has worsened in the last 20 years; 3) the aggravation of social problems caused by the "productive underdevelopment" of a society in which the middle and upper classes are influenced by the life style of capitalistic societies; and, 4) the redefinition and restructuring of the methods of imperialist domination. The institutional crisis of the state and of the civil society has permitted, as Quijano says, the presence of powerful groups in Latin America. For him, the possible benefits given by the groups to the economy, such as higher rates of return, economies of scale, etc. do not compensate for the surplus appropriation taken from the workers that prevents the formation of an internal market.

E. Anaya (1972) in a study for Peru and Latin America, considers the birth and growth of the groups and conglomerates as a consequence of the administrative inability of the state. The state allowed for historical reasons the adoption of a foreign

capitalistic system that did not match the internal reality of the country. The historical crisis of the state in Latin America since the independence period has caused these countries to be managed by foreign capital. The economic groups serve the interests of foreign capital by constituting a legal way to remove the international reserves from the country (through profits). Although foreign capital activities have been restricted in many countries, the national economic groups have continued to be the open door for capital flight. The participation of the financial oligarchy as the core of the economic power is pointed out by this author, who says that this oligarchy is now driven by a new bourgeoisie arisen from tight relationships with members of each government and foreign investors (Anaya, 1972 : 78).

The reasons for the creation of economic groups have not been studied in great detail. According to Leff, groups are formed for portfolio equilibrium reasons, since diversification is a logical answer to the instability and accelerated structural change in many developing countries (Leff, 1974 : 44). Leff also believes that groups, especially those with extensive vertical integration, are established in order to minimize the dependency of a small number of suppliers (that exists in developing countries) in order to maintain a constant production process.

International evidence proves this point. In the Phillipines the groups are usually owned by a single family; however, even though, in some cases they may be owned and

controlled by tightly associated individuals or families. The decisions are made by the administrative enterprise, or in meetings by the principal executives who normally have very close personal relationships that occasionally stem from ethnic or regional ties. Forty-seven of the groups identified in 1977 were controlled by 89 families. The 10 principal groups were connected to the commercial banks and 23 of the 28 commercial banks had close ties with some groups (Patrick and Moreno, 1982 : 33-34).

This type of information is also encountered in other third world countries. In India, the four main groups controlled 17% of the assets of the public and private enterprises in 1958 while the twenty main groups controlled 28% of the assets in four or five different activities (Leff, 1976: 26). In Pakistan, ten groups controlled 33% of the total assets of private manufacturing enterprises in 1968 while thirty groups controlled 52% of the assets (Leff, 1976 : 26).

The situation is very similar for Latin American countries. In Mexico, a study done on the industrial sector identified 131 national private groups (defined as two or more enterprises). The ownership and the management of these enterprises are in charge of a small number of persons or families who possess the majority of the shares and who occupy strategic places in the enterprises. Although a particular expansion pattern does not exist, it is common for the main groups to have some representation in the bank's or financial institution's body of directors. Those that are not represented develop an "intimate relationship" with

the banks. Of these groups, the first 20, which controlled over twenty enterprises, were responsible for 46.9% of the total production of the enterprises constituted groups in 1972 (Cordero and Santin, 1977 : 101).

Chile provides another good example for the existence of groups. In 1978, a study done on the centralization of capital identified a large number of enterprises to be in hands of 36 important national groups, 16 more groups than existed at the end of the sixties. These groups generally belonged to a family that controlled most of the shares of the enterprises. Control was achieved in a centralized manner by granting both profits and credits to these enterprises. The largest groups did not compete with each other; instead they wished to associate with the foreign capital. Eleven groups controlled two thirds of the equity for the 250 largest corporations in Chile, and in all except one, a bank or a financial institution was part of the group (Dahse 1979 : 29).

Contrary to the Mexican case, participation in the financial sector was fundamental to the formation and the development of these groups. This is because there was insufficient financing in national and foreign currency for Chilean entrepreneurs and enterprises in the period between 1971-1977 and access to the financial institutions allowed them to avoid this restriction. The privatization of financial institutions provided the groups with the funds to finance and purchase these same institutions and other enterprises, all the while "investing" in the banks where they obtained the loans. Participation in the

financial sector also opened the door for international credit with lower rates than in the international market (Sanfuentes, 1984 : 56). A significant difference in the Chilean case seems to be that instead of expanding the productive activities of the group, a large quantity of resources were usually used for speculation. The acquisition of industrial enterprises was, in most cases, a temporary way of profitably investing existing resources because these enterprises were sold or liquidated (Fortin, 1984 : 31). Also, members of these groups held important positions in the economic management of the country, which allowed them to carry out their business (Sanfuentes, 1984 : 57).

In Colombia, eight important industrial groups were detected in 1968. Three of them were national groups with operations in textiles, oils and greases and their derived branches as well as in beer and metallic products. The five foreign groups were concentrated in food, synthetic fibres, chemicals, electrical appliances and transportation (Misas, 1973 : 22). Towards 1986, the Colombian press forewarned the people against the emergence of "financial groups", that granted doubtful loans to companies that were members of these groups. These loans were obtained by having personnel in the body of directors of both the financial and production institutions, the companies that both approved and requested the loans. In Argentina, the 32 principal landowner families controlled 140 of 499 enterprises quoted on the stock exchange in 1960. These enterprises represented 54.2% of the total existing capital and reserves and were located in different

sectors. However, their control and influence were extended by means of diverse mechanisms over 937 enterprises (Tokman, 1973: 41). In Brazil, about 55 "multimillionaire" groups owned an average of 21 enterprises with the 6 largest groups owning more than 35 enterprises (Sanfuentes, 1984 : 62). In Venezuela, one of the members from the family which owned the most powerful industrial groups (assets in the amount of six billion dollars and interests in agriculture, cattle, construction, chemicals, stationary, metal-mechanics and banking) was nominated Minister of Finance (Sanfuentes, 1984: 65).

In this chapter we have observed some important theoretical considerations and empirical evidence on the problem at hand that exhibit the patterns and characteristics of the economic groups. It is important to point out that even though some authors pointed to the advantages and positive effects of economic concentration, the market distortions that it implies seems to generate more problems than solutions for economic development, as we will discuss in chapter four. For the moment, it will be helpful for the analysis to show how the power is structured in Peru.

CHAPTER II

GROUPS OF ECONOMIC POWER IN PERU

As we saw in the last chapter economic concentration has its basis in powerful groups which have appropriated most of the productive resources of the economy for their own benefit.

This chapter presents the characteristics of the power structure and its composition in Peru, which, according to E. Anaya (1990), originated in the financial system which forms the new oligarchy of the country.

1. ECONOMIC GROUPS BEFORE THE EIGHTIES

The economic group formation has a very tight relationship with the economic concentration problem, and the

evolution of the groups structure is a function of the government's position on this issue (Lagos, 1960: 102). In the context of underdeveloped countries the role of the state should be to regulate market imperfections that prevail in these economies. The state should deal with foreign investment, monopolistic and oligopolistic structures, capital flights, excessive capital accumulation and concentration processes. However, this does not happen. Thus, the state has been indirectly the creator of the economic groups (Lagos, 1960: 104).

Historically, Peru has an agrarian and mining tradition. The concentration of property started in the agricultural sector and it continued until 1970, when a land reform was introduced. For the most part, the power and prestige of the traditional aristocracy was based on land ownership and it is very common to find many former presidents of the country connected to this activity, not only as landowners, but also as partners in some agro-industrial activities (Thorp, 1978: 201-203).

The history of the republican period of Peru shows that the patterns of accumulation changed since the colonial era. In the post-colonial period the new owners of the means of production were the Peruvian bourgeoisie who were able to link their personal relationships with the new governments and their business relationships with the traders. This new elite group concentrated in its hands the large majority of the means of production. The economic activity in which they operated was basically trading (import and export). However, they also participated in

agriculture and mining (Fitzgerald, 1986: 16). Some years later, the presence of large foreign enterprises became common in many economic sectors, especially in mining, while in agriculture, the large landholdings (called "Latifundios") were the traditional form of ownership. Later on, these latifundios allowed the creation of a large agro-industrial sector that promoted the basis for the industrial concentration and attracted the foreign capital to this activity. Under these circumstances, the bourgeoisie had to adapt its position according to the new rules laid down by the foreign capitalism (Alcorta, 1987: 11).

During its history, Peru has been known as an export oriented country, which depends on "booms" or international conditions (the most well-known export "boom" was the "guano" period: 1855-1875). Traditionally, its export pattern used to be formed by 3 to 5 raw materials, that changed roles every 10 or 20 years, according to the international market and internal interests (Thorp, 1978: 208). The main exports were sugar, cotton, wheat, rice, copper, silver, petroleum. Four out of seven were agricultural goods, this shows the importance of agriculture in the economic activity. According to R. Thorp, this variable pattern did not allow the rise of a solid national industry to support development. However, in spite of the large concentration of lands, the importance of the sector did not change for a long time, because it created groups related to different activities (and also tightly related to some members of the government) that allowed them to integrate the productive and accumulative process (Fitzgerald, 1986: 32).

By the end of the last century there were three commercial banks in the country: Banco de Mexico and South America (British), Banco del Callao (60% foreign-owned) and Banco Italiano (owned by Italian immigrants) which controlled the entire financial system. At that time, there were only two important economic groups (joined in a very loose manner). They were the Prado group and the De la Romana group. These groups had their origin in agriculture and were tightly related to two former presidents of the country (M. Prado 1872-1879 and Lopez De la Romana 1899-1903). There is no evidence that those former presidents had any kind of relationship with the management of the banks. However, because of their position, they were able to obtain the loans required by their enterprises.

The presence of foreign capital was very large and no government restricted it during the first six decades of this century. The most important economic groups during this time were foreign and the national groups had to adapt to their rules. The foreign groups participated in most of the economic activities and controlled, in 1929 and 1940, around 23% of the national production (Fitzgerald, 1986: 129). For four decades the pattern showed a high degree of concentration in hands of the foreign capital. The national capitalists constituted small groups which were not well vertically and/or horizontally integrated, because of the large presence of foreign holdings. Their power was therefore restricted to certain activities. For example, the Prado group's activities were limited to agriculture until the group joined foreign capital

and was able to diversify its activities. The power of foreign capital was very large and did not permit the development of the national capital. Although there existed national capitalists, the domestic investors followed the rules imposed by the large transnationals, which also controlled the financial system (Anaya, 1990: 51). During the first five decades of this century, many small banks were established but they were mainly controlled by foreigners (Foreign capital controlled 53% of the financial system). Between the forties and fifties, the participation of national investors in the political sphere increased, allowing them to reinforce the power of their clans and groups. They wanted more participation in the financial system in order to recover some of the lost ground. They achieved this during the military government of General Odria (1948-1956). Most of the clans tightly related to him emerged in this period and became important in some specific sectors. For example Brescia-Cafferata clan and Ayulo-Pardo clan. Since then the participation of national capitalists has increased in the financial system and the groups have become powerful. The groups preferred to control the financial system, trading, construction and fishing sector. The increasing interest for financial resources led the groups to control the financial institutions and to form economic groups around them.

According to E. Anaya (1972), by the end of the sixties there were eight economic groups in Peru, with structures supported by 21 clans or economic sub-groups. Of these, four economic groups and eleven economic clans, were the most important in the country

due to their financial magnitude and their commercial dimension (SBS, 1989; INP, 1987). We are referring to: 1) Banco de Credito del Peru, 2) Banco Popular del Peru, 3) Banco Wiese Ltd, 4) Banco Continental group. The groups with less financial and commercial power were: 5) Banco Internacional, 6) Banco Comercial del Peru, 7) Banco de Lima, 8) Banco del Progreso group. By the end of the sixties important economic groups and clans disappeared. In fact, the bankruptcy and later liquidation of Banco Gibson Ltd. (1967) and Banco Union (1967) brought the downfall of several clans. By that time, Banco de Credito del Peru assumed the assets and liabilities of both banks.

During the period 1970 to 1984 the number of economic groups and clans was notably reduced. Banco Popular del Peru, Banco Internacional, Banco Continental, Banco del Progreso, Banco de la Industria de la Construcción and Banco Comercial were bought by the state through Banco de la Nación.

During the seventies General Velasco Alvarado effected reforms in the following areas: Agrarian reforms, financial system, international trade, modification of the legislation on the exploitation of natural resources: mining, petroleum and hydro-biologic. According to L. Alcorta (1987: 121) these reforms and the constant modifications produced in the commercial and financial structure of the country contributed directly or indirectly to diminish the power of the principal economic groups or clans. However, some other authors consider that the reforms favoured the economic groups (Malpica, 1989: 48). Many of the

commercial constellations disappeared, others modified their structure and composition, and still others emerged with the favour of the structural reforms. The economic clans that disappeared as a consequence of the reforms and market laws were: Prado, Ayulo Prado, Aspillaga-Anderson, De la Piedra, Pardo Heeren, De Lavalles Vargas, Beltran Espantoso, Banchemo Rossi, Vallarino Vasquez y Bertello Masperi. The old clans that were adapted to the structural reforms imposed by the military government were: Olachea Dubois, Brescia Cafferata, Bentin Mujica, Wiese Eslava, Berckemeyer Pazos, Benavides de la Quintana, Ferreyros Garcia, Gerbollini Isola and Garcia Sayan. The economic clans that emerged or became important with the favours of the structural reforms were: Romero Seminario, Raffo, Nicolini Bernucci, Picasso, Grana y Montero, Michell Stafford, Piaggio y Aguirre Roca (Anaya, 1972: 75). Most of these clans began their operations before the sixties but became a large economic power during the seventies. In the eighties, some of the new economic clans were agglutinated around the groups Banco Latino de Fomento de la Construcción (1982) and Banco Mercantil del Peru (1984), which together with the groups Banco de Credito del Peru, Banco Wiese Ltd. and Banco de Lima, were transformed in the principal centers of economic power in the country (INP, 1987: 48).

2. GENERAL CHARACTERISTICS

It is very difficult to determine the principal

characteristics of the economic groups or clans, because their activities are inter-linked. If we take into account that in the Peruvian reality these constellations are interconnected to each other through managers, stocks or partnership companies and common investments. All these factors contribute to the difficulty in identifying, determining their dimension and power, analysing their structure and determining their action spheres. In this way, they exercise their control or influence on this immense financial, productive, buyer and supplier complex existing in the Peruvian economy.

In spite of the difficulties noted, we can observe in appendix A that we could identify the principal economic groups and clans, entwined to the commercial banks. They are selected by their capital and number of partnership companies controlled by them along the productive and non-productive activities. Immediately we indicate the principal features that the groups of economic power possess:

The first characteristic we found in the groups of economic power is that they are formed around commercial banks, because these institutions are the principal captivater centers of domestic savings, which is indispensable to develop the more different economic activities existing in the country. The fact that the commercial banks concentrate and centralize most of the monetary resources of the country and at the same time, act as mediator of credits, has contributed to an unimaginable dominion in the capitalistic system.

In this respect Lenin said the following: "As the banking operations are being established and concentrated in a reduced number of establishments, they are transformed from modest intermediaries, to monopolist omnipotents that dispose of almost all the monetary capital, of all the capitalists, as well as, the major part of the production means and the raw material sources of one or more countries" (our translation from Lenin, 1972 : 25). In fact the commercial banks are simple intermediaries that take the inactive capital of a society and put it at the disposition of the large capitalists that need it. Through this mechanism, these institutions are at the same time debtor and creditor enterprises, with the advantage of paying as debtor a lower interest rate than they really collect as creditor. In this way, the banking profit comes from the difference between the interest that the commercial bank collects for granting credits and the interest they pay to the public for receiving deposits in savings.

The fast growth experienced by the commercial banks has contributed directly or indirectly to generate a process of concentration of production and services in a reduced number of enterprises. Because of this, financial institutions generally orient their credits to the large monopolistic or oligopolistic enterprises. This selective behaviour of the commercial bank has put the medium and small enterprises in a less advantageous position than the large monopolistic enterprises. When the opposite occurs the credits are generally limited and the small and medium enterprises can rarely obtain additional credits. In this way the

commercial banks manage the free development of the small and medium enterprises.

As the commercial banks in Peru control most of the financial resources, provide credits, issue, sell and buy shares, they obtain a decisive influence over the formation and merger of enterprises. The power obtained by these institutions (INP, 1987: 72) is reflected in a clear way in the extensive network of functional and financial relationships. There is an increasing participation of credit solicitors in the management of multiple financial and productive enterprises at the same time. These enterprises without a formal agreement are situated around a commercial bank that acts as head of the financial group, transforming these groups into the neurological centers of the country. These centers are very tightly connected to the principal enterprises. This shows why the commercial banks now have a decisive position in the economic process of the country. The same tendency is also shown in some Latin American countries (Leff, 1976: 60) such as: Argentina, Brazil, Colombia, Chile, Ecuador, Mexico and Panama, as it is proved in different research done in these countries. This situation leads us to the conclusion that in underdeveloped countries the financial institutions have been converted into the central "nucleus" and the principal economic power groups are formed around them.

The second characteristic we found, following the method used by Ricardo Lagos Escobar, is that the power groups can be controllers and influentials. A group is a "controller" when it has

a majority in the body of directors in a stock company and is "influential" when the directors are in the minority. In Peru, the groups are characterized by influencing before controlling, at least in the economic power groups we analysed. In fact, Banco Wiese Ltd., Banco de Lima, Banco Mercantil and Banco Latino de Fomento de la Construcción, are influential, while, Banco de Crédito del Perú has been principally dedicated to controlling its stock companies. This same characteristic was found by R. Lagos Escobar (1960: 58) when he studied the Chilean power groups; in relation to this he stated that this influence does not affect the importance of the group, because there can be an effective control. All depends on the financial power represented by them. This group classification just indicates general features. By no means does this indicate that an influential group cannot be a controller or vice versa.

The third characteristic we found is that economic groups show their influence or control in all or almost all economic activities in the country.

Table 1 shows that all the economic power groups have interests in more than 12 productive activities and in more than 8 sectors. We can mention that the most diversified and spread groups were also the most powerful and the oldest. Therefore, the less powerful groups, and most of those formed recently, are the least diversified and have the smallest economic magnitude. These observations do not impede that some economic groups prefer to act in an economic activity and this central activity constitutes its

power basis.

TABLE 1

DISTRIBUTION OF THE STOCK COMPANIES CONTROLLED OR INFLUENCED
BY THE PRINCIPAL GROUPS OF ECONOMIC POWER

SECTORS	ECONOMIC GROUPS					
	BANCO CREDITO	BANCO WIESE	BANCO LIMA	BANCO LATINO	BANCO MERCANTIL	TOTAL
AGRICULTURE	5	-	-	1	-	6
MINING	8	11	12	2	3	27
PETROLEUM	-	-	-	1	-	1
MANUFACTURES	51	30	42	7	60	131
ELECTRICITY	-	1	1	-	-	2
CONSTRUCTION	33	10	13	3	6	48
COMMERCE	35	22	36	2	15	72
TOURISM	3	1	3	-	-	5
TRANSPORT	5	1	1	-	4	10
STORAGE	9	4	3	1	2	18
BANKING	1	1	1	1	1	5
FINANCIAL INST	11	6	13	3	6	28
INSURANCES	7	4	5	3	3	14
COMUNICATIONS	-	1	-	-	2	2
SERVICES	12	13	12	5	10	34
TOTAL OF STOCK COMPANIES	180	95	142	29	112	403
SECTORS	9	10	9	9	8	

Sources: Comision Nacional Supervisora de Empresas y Valores (CONASEV), Stock Market of Lima, Superintendencia de Banca y Seguros.

The fourth characteristic we found is that the power groups are not independent. They are generally found tightly connected to each other through common directors, stock companies and investments. This fact has made it difficult to identify the groups, determine their power and dimension, analyze their structure and the way they accomplish their control or influence.

The fifth characteristic of the economic power groups in

Peru is that within the group there is at least one "Holding". The stock companies that form the "holding" have some differences, but essentially they share the same characteristics. The stock company that operates as "principal" is controlled by a small financial group. The same company uses cross or vertical participation techniques to control significant portions of the shares of an undetermined number of branches without directly engaging their financial resources. The legal merging that occurs between the principal and the branches (within the "holding") contributes to defining the financial group behaviour (proper leadership, decisions making, and centralized general policy) and forms, in most cases, a whole integrated structure in horizontal and vertical form around an economic sector. This type of relationship not only produces a "financial collusion", but in most cases produces a "social collusion" as well (CIUP, 1990). The financial and entrepreneurial relationships are joined by a body of directors entwined in the most diverse activities that integrate the structure of the "holdings". At present more than 50 "holdings" are entwined to the principal economic power groups, the most representative of them are mentioned in appendix E.

The sixth important characteristic we found is that the groups can be regional or national. A group is regional if most of its interests or operations are concentrated in a given region of the country. For example, within the Banco Mecantil del Peru and Banco Latino groups there exist two sub-groups: Cuglievan and Michel Stafford. These sub-groups can be classified as regionals

because their main interests are in the north and south of the country respectively (CIUP, 1990). We can say that a group is national if most of its interests and operations are located in the country as a whole. As we can observe, this classification carried out bearing in mind the sphere of activity and geographical location of the group interest.

3. THE ECONOMIC GROUPS¹

The following section presents the structure of the most important financial groups that are the core of our analysis.

3.1 BANCO DE CREDITO DEL PERU GROUP

On April 4th, 1889, the Banco Italiano was founded by an Italian-Peruvian trader and a powerful industrial group (Banco de Credito, 1989). At that time two commercial banks operated in Peru: Banco de Mexico and South America (British) and Banco del Callao.

From 1897 on, the Banco Italiano began an intense expansion process, increasing its initial capital from 100,000 pounds to 200,000 pounds sterling. Towards 1898 the bank established agencies and subsidiaries in some provinces of the country.

In 1942, Banco Italiano changed its name to Banco de Credito del Peru, and it has this name to the present time.

1/ Most of the data and basic information for this section was obtained from CONASEV 1989, SBS 1989, CIUP 1990 and the Anuario of each banking firm.

Banco de Credito gathers the fortunes of the most important economic clans of the country, which participate in large part of the shares of this institution. The breakdown of control by clan is as follows: Romero-Seminario and Raffo, 13.9% of the shares; Brescia Cafferata, 6.8%; Nicolini Bernucci, 4.5%; Tulio Ghio Massa, 5.8%. At the same time, two transnational banks Ueberseebank SA. (Swiss) and the Banque Sudameris (French), control 13.6% and 4.9% respectively. In short, the six principal shareholders in Banco de Credito del Peru control 49.5% of the total shares (SBS, 1989: 76).

In the sixties the Banco de Credito del Peru was the main center of important merger operations because it assumed the assets and liabilities of Banco Gibson Ltd. and Banco Union.

The Banco de Credito del Peru group controls or influences 180 stock companies (see appendix F), whose capital amounts to 930'436,544 US dollars (CIUP, 1990), equivalent to 64.4% of the total resources that belong to the principal financial groups. This amount is distributed over 12 activities which are concentrated in 9 economic sectors.

The group Banco de Credito del Peru is, without any doubt, the most important in the country because of its commercial dimension and the financial magnitude that it controls or influences. The following table breaks down its main activities.

Activity	Number of Enterprises
agriculture	6
mining	8
manufacturing industry ¹	50
construction, real state	33
trade	35
tourism	3
transport	5
custom and storage	9
banking	1
financial institutions	11
insurance	7
different services	12

Source: CONSEV 1989, SBS 1989.

(1) Includes: agricultural feeding industry, beer and other beverages, textiles, lumber, printing, chemistry-pharmaceutical, plastics, glass, electric machinery, vehicles and automobiles.

The group Banco de Credito del Peru is different from Banco Mercantil del Peru SA. and Banco Latino de Fomento de la Construcción in that it tends to control its stock companies before influencing them. In fact, 104 of the group's 180 stock companies are controlled. Control is accomplished through the representatives of the group in the body of directors of a stock company.

By carefully examining the stock companies that form the group Banco de Credito del Peru, we can state that some of them are also controlled or influenced by the Banco de Lima and Banco Wiese Ltd. groups. Banco de Credito del Peru shares 57 and 71 stock companies with the Banco Wiese Ltd. and Banco de Lima groups respectively. This is the most clear demonstration of the tight connections existing among the principal economic groups of the country.

The group Banco de Credito del Peru is characterized by

its lack of homogeneity. There is not a total unification of its activities. The group is composed of four economic sub-groups or clans whose principal interests are different, but entwined in secondary activities. These sub-groups are joined through functional, financial, ethnic and family ties. The family ties especially have helped to generate a strong cohesion among the members of the group. At the present time, 5 of the 14 directors of the bank are linked by family ties (SBS, 1989: 76).

The structure of the Banco de Credito group is supported by four economic sub-groups or clans:

- a) Romero Seminario-Raffo sub-group
- b) Brescia Cafferata sub-group
- c) Nicolini Bernuci sub-group
- d) Bentin sub-group

a) Romero Seminario-Raffo sub group

This clan began as moneylender at the beginning of the century, lending money to the peasants or small landowners. In the thirties, the clan became a landowner increasing their power in Northern Peru. During the next three decades, more lands were acquired and a simple agro-industry was set up. During the sixties the clan controlled 104,093 hectares of arable land, making it the second largest landowner in the country (Malpica, 1989: 83). At that time, the clan started to participate in the banking system.

At the start of the reform period during General Velasco's government (1970), they lost most of their landholdings. However, the agro-industrial apparatus previously established, and the facilities provided by the military government, such as subsidies, tax deductions etc, allowed them to relaunch their business. Since that time the clan has retained close ties with the government. For example, in 1972, D. Romero, head of the clan, was named chairman of Banco Industrial del Peru (Malpica, 1989: 83-86).

At present, the Romero Seminario-Raffo clan controls or influences 90 stock companies whose equity is 502'767,223 US dollars (CIUP, 1990). 51.0% of this amount belongs to the group Banco de Credito del Peru. This amount is equivalent to 475'004,698 US dollars, which is distributed among 59 stock companies.

The clan controls or influences enterprises in 8 economic sectors and 11 productive and non-productive activities including agriculture and cattle, manufacturing, construction, import and export trading, tourism, transport, custom agencies and storage, banking, financial institutions, insurance and other services.

As Anaya says (1990: 81), at present, this is the largest clan in the country in terms of its economic magnitude.

b) Brescia Cafferata sub-group

This clan controls or influences 85 stock companies whose equity is 611'115,065 US dollars. 59.2% of this amount belongs to Banco de Credito del Peru, while 37.3% belongs to Banco de Lima

group (CONASEV, 1989: 145 and CIUP, 1990).

The creation of 14 "holdings" or mother enterprises, by part of the clan, allows them to control other branches which, at the same time, control other stock companies, produce a solid financial and social union. This has permitted them to make great capital economies because with small investments they are able to control many branches, multiplying their control.

The basis of their power arose with the relationship of one of the members of the clan with president Odria (military government 1948-1956), when they bought back the lands expropriated from them before at a lower price (Anaya, 1990: 82).

c) Nicolini Bernucci sub-group

This clan became powerful during the reform period in 1970. They controlled the flour market, and the benefits received from president Velasco and later from F. Belaunde allowed them to expand their influence to other activities. This shows the tight relationships with government, whether military or democratic. At present, this clan or sub-group is considered to be the best integrated (Anaya, 1990: 89). According to C. Malpica (1989: 173), the integration accomplished by the clan began through the tax reforms and subsidies granted by the government to some specific sectors.

At present the interests of this clan are interlinked in 44 stock companies whose capital is 258'226,577 US dollars (CIUP,

1990). Of this amount, 209'775,810 US dollars or 22.7% belong to Banco de Credito group. This is distributed among 23 stock companies. These interests are principally located in the three most important provinces of the country.

The principal activities of the clan include the development and trade of balanced feed for poultry and cattle, the clan controls 87% of the total production in this activity. Considering all the food industry under the control of this clan, the clan has 11 stock companies: poultry, corn products, canned fruits and vegetables, and oats and cereals. In other sectors, we have found the following: breeding of race horses, textiles, rubber, electrical machinery, construction, import and export trading, tourism, transport. The principal activities of this clan are agricultural industry, which are very well integrated vertically.

d) Bentin sub-group

The majority and minority participation of the members of this clan are intercrossed in 29 stock companies, whose capital is 376'804,120 US dollars. 46.4% of the resources belong to the Banco de Credito group and 38.9% to the Banco de Lima group (CIUP, 1990; CONASEV, 1989: appendix 21).

The interests of this sub-group are principally based in the control of the brewery industry of the country, of which controls or influences 79.5%. This activity is joined by the

"holding" Cerveceria Backus & Johnston SA., Compania Nacional de Cerveza SA. and their 18 branches, controlled in portions that vary from 55% to 99%.

3.2 BANCO WIESE LTD. GROUP

The Banco Wiese Ltd. group was founded in 1942. Before operating the group, the founders were dedicated to the extraction, concentration and marketing of minerals, and to a lesser degree in real state and import of heavy machinery (Banco Wiese, 1988: 4).

The control of Banco Wiese allows them to control large amounts of credit, which helps them to reinforce and diversify their commercial interests.

The Banco Wiese Ltd. group, through important stock companies, established tight connections with the Banco de Credito del Peru and Banco de Lima groups.

The 95 stock companies controlled or influenced by this group (see appendix G), possess an equity of 349'208,175 US dollars which represent 24.2% of the total resources belonging to the principal groups of economic power. This amount is distributed among 10 economic sectors, which include 13 economic activities including (CIUP, 1990) :

Activity	Number of Enterprises
mining	11
manufacturing industry ¹	30
electric energy	1
construction and real state	10
trade	22
tourism	1
transport	1
storage	4
banking	1
financial institutions	6
insurance	4
means of communication	1
different services	3

Source: CONASEV, 1989; SBS, 1989.

(1) Includes: agricultural feeding industry, beer, malt, textiles, chemistry-pharmaceutical, glass, electric machinery.

The structure of the group is based on three sub-groups (CIUP, 1990):

- a) Wiese de Osma sub-group
- b) Berckemeyer sub-group
- c) Picasso sub-group

a) Wiese de Osma sub-group

The power of this clan began in the fifties, based on commerce and mining activities.

At present this clan controls 62.8% of the shares of the group. The Wiese clan controls or influences 28 stock companies whose capital is 69'426,944 US dollars. This means that 20.1% of the total resources of the Banco Wiese Ltd. group is controlled by this sub-group (CIUP, 1990).

The clan has its principal investments in mining. They control 83% of mining in this group.

b) Berckemeyer sub-group

The Berckemeyer sub-group controls or influences 31 stock companies which possess an approximate capital of 347'460,824 US dollars. The Banco de Lima and Banco Wiese Ltd. groups own 56.7% and 29.5% respectively of that amount. By its financial magnitude the Berckemeyer clan is the most representative of the Banco Wiese Ltd. group (CIUP, 1990). This clan was traditionally related to cattle and dairy industry as partners of the foreign capital (Malpica, 1989: 305).

c) Picasso sub-group

This sub-group controls or influences 15 stock companies whose capital is 155'412,317 US dollars, 64.7% and 6.9% of the resources belong to Banco Wiese Ltd. and Banco Latino de Fomento de la Construcción groups (CIUP, 1990).

The clan has its principal investments in mining, wine industry and in commercial banking, and is located in Southern Peru.

3.3 BANCO DE LIMA GROUP

The Banco de Lima group was founded in 1952. At the beginning of the fifties, the clans that make up the group operated by sectors. Some of them concentrated their capitals in agriculture or mining and others in insurance or in export trade (Banco de Lima, 1989: 12). The creation of the group allowed the clans to control large amounts of credits, and with them they could diversify and deepen their operations.

At the present time, Banco de Lima has investments in 30 stock companies involved in mining, manufacturing industry, food, beer, oils, greases, textiles, cigarettes, banking and insurance. The participation of Banco de Lima in these stock companies represents less than 25% of the total shares with exception of their 99% control of Lima Leasing SA.

The Banco de Lima group is composed of 142 stock companies (see appendix H), whose capital is 688'667,242 US dollars (CIUP, 1990), which represents 47.7% of the total capital controlled by the principal groups of economic power. This amount is distributed among four "holdings": Cerveceria Backus & Johnston SA., Compania Nacional de Cerveza SA., Fabrica de Tejidos La Union Ltd. SA. and Cia de Minas Buenaventura SA., which, in total, control 39.5% of the resources of the group. The importance of these stock companies within the group is notable. The Banco de

Lima group possesses interests in 9 sectors and in 12 economic activities, where we have:

Activity	Number of Enterprises
mining	12
manufacturing industry	42
electric energy	1
construction and real state	13
trade	36
tourism	3
transport	1
storage	3
banking	1
financial institutions	14
insurance	5
different services	11

Source: CONASEV, 1989; SBS, 1989.

The structure of Banco de Lima group is supported by the following clans or sub-groups (CIUP, 1990) :

- a) Brescia Cafferata sub-group
- b) Olachea Dubois sub-group
- c) Benavides de la Quintana sub-group

a) Brescia Cafferata sub-group

This clan was analyzed in the Banco de Credito del Peru group, but also has a large participation in both financial groups.

b) Olachea Dubois sub-group

The members of this clan participate in the body of

directors of 16 stock companies, whose capital is 221'511,727 US dollars. From this amount, 218'969,389 US dollars belong to Banco de Lima group which represents 31.8% of the total of the group.

This family has had extensive power over the province of Ica for many generations. They have controlled (directly or indirectly) over 50% of the landholdings, cotton and wine industries (Anaya, 1990: 116). According to C. Malpica (1989: 320), the large concentration of economic activity in that region was supported by the military government during the seventies. The presence of three members of the family in public enterprises demonstrates this fact.

c) Benavides de la Quintana sub-group

This clan controls or influences 18 stock companies whose equity is 73'563,407 US dollars, which is equivalent to 10.7% of the total capital of Banco de Lima group. 63.8% of this capital is in the mining sector (CIUP, 1990). Their power comes not only from mining, but also from the former president Oscar R. Benavides (1932-1938).

3.4 BANCO MERCANTIL DEL PERU SA. GROUP

The immediate precursor to the Banco Mercantil del Peru SA. group was Financiera de Lima SA.. In 1984 the state authorized

this financial institution to be transformed into a commercial bank under the firm name of Banco Mercantil del Peru SA. (Anaya, 1990: 99).

The group is composed of 112 stock companies (see appendix I) whose equity is 307'177,774 US dollars, which is equivalent to 21.3% of the total resources that belong to the principal groups of economic power. The activities of this group are distributed in 11 productive and non-productive activities in 8 economic sectors.

Activity	Number of Enterprises
mining	3
manufacturing industry	60
construction	7
trade	14
transport	4
storage	1
banking	1
financial institutions	7
insurance	3
means of communications	2
different services	10

Source: CONASEV, 1989; SBS, 1989.

Upon investigation of the stock companies of this group we observe that 13 of them are controlled or influenced by Banco de Lima group. This union is accomplished through the production and sale of beer, malt and other related industries.

The group is based in two sub-groups (CIUP, 1990) :

- a) Piaggio sub-group
- b) Aguirre Roca sub-group

a) Piaggio sub-group

The clan controls or influences 49 stock companies whose equity is 217'674,480 US dollars. 38 stock companies make up the Banco Mercantil group and their total equity is 216'105,316 US dollars of the above amount (CIUP, 1990). This amount contributes 99.3% to the total equity of the group.

Eighty-seven percent of the equity of the Piaggio clan is concentrated in the brewing, sale and distribution of beer, the rest being distributed in horse breeding, extraction, concentration and trading of lead and zinc, oils, flours, tobacco, boxes for beers, transport, comercialization of fishmeal, banking, financial institutions and insurance. This clan controls the largest distribution channel of beer in the country.

b) Aguirre Roca sub-group

This sub-group controls or influences 19 stock companies whose capital is 77'561,539 US dollars (CIUP, 1990). Of these 19 stock companies, 14 belong to the Banco Mercantil del Peru SA. group, whose equity is 49'827,224 US dollars. That is equivalent to 16.2% of the total of the group.

3.5 BANCO LATINO DE FOMENTO DE LA CONSTRUCCION GROUP

The group resulted from the merging of different

interests dedicated to the construction industry, export trade, mining and manufacturing industry, which operated in isolation until the end of the seventies (Anaya, 1990: 107). Once they reached a certain level of power in their respective sectors of influence, the necessity for financial resources grew. Therefore, they merged in 1982 under the name of Banco Latino de Fomento de la Construcción.

At the present time, the group is composed of 29 stock companies (see appendix J), whose capital is 51'199,089 US dollars (CIUP, 1990), which is equivalent to 3.5% of the resources that belong to the principal groups of economic power. This amount is distributed among 9 economic sectors and in 11 productive and non-productive activities:

Activity	Number of Enterprises
cattle	1
mining	2
petroleum	1
manufacturing industry ¹	7
construction	3
trade	2
storage	1
banking	1
financial institutions	3
insurance	3
different services	5

Source: CONASEV, 1989; SBS, 1989.

(1) Includes: textiles, chemistry-pharmaceutical, basic iron and steel industries.

By its financial magnitude this group is the least important of the five principal groups (CIUP, 1990)

The group is principally composed of two sub-groups:

- a) Grana y Montero sub-group
- b) Michell Stafford sub-group

a) Grana y Montero sub-group

It is composed of 12 stock companies whose capital is 24'698,481 US dollars, which is equivalent to 48.3% of the total capital of the group. This amount is mainly distributed in the exploitation, concentration and commercialization of mineral, banking and insurance, and construction (CIUP, 1990).

b) Michell Stafford sub-group

At the present time, this group controls or influences 14 stock companies, whose capital is 11'759,993 US dollars which is equivalent to 23% of the patrimony of the group.

This group has enterprises in the following sectors: cattle (1 enterprise), textiles (3), chemistry-pharmaceutical (1), metal-mechanic (1), banking (1), insurance (1), trade (3) and different services (3) (CIUP, 1990).

There is no evidence of any linkage between these two clans and any government. However, these clans have been supported by most of the entrepreneurs in the construction sector.

It is possible to present a clear conclusion on the concentration pattern in the country. The government's management has directly led to the existence of the clans presented above. The common interests and the smart attitude of the clan members toward the governors have helped them to get what they wanted: money and power. As R. Lagos has said when writing about the role of the state as a creator of groups, it is now clear that the state has indeed been a very active factor in the creation of groups, and not only indirectly. This supports Quijano's affirmation that the crisis of the state allowed the birth and growth of these powerful groups, as we presented in chapter one.

CHAPTER III

ECONOMIC CENTRALIZATION AND CONCENTRATION

In the last chapter we discussed the current structure of power in Peru and how it has developed over the past decades. The main objective of this study is to provide the empirical evidence that will enable us to answer the two major questions formulated at the outset. These two questions are as follow: What is the magnitude of the economic concentration; and, How does this concentration affect the real sector of the economy? Although the conclusions will be presented in the fourth chapter, we will discuss the methodology used and identify the patterns of concentration observed at the sectorial and aggregate levels of the economy in 1989.

1. GENERAL FEATURES

For this study, concentration indexes have been established to measure the participation of particular economic groups in the economy.

Information from 3,585 enterprises has been obtained and classified according to their principal activity¹. The purpose of the study is to analyse the level of economic concentration in 1989 and to compare it with preceeding years. The criterion used for our measurement is identical to that used by Ludovico Alcorta (see Alcorta 1987) for 1977 and 1983: gross revenue includes sales plus other operational incomes, even though for practical purposes, gross revenue is considered as sales (since the other revenues are insignificant). The sample is limited to those enterprises whose sales exceeded 80,000 US dollars in 1989. According to Sociedad Nacional de Industrias (SNI) this sample is representative of approximately 90.1% of the total sales for all of the enterprises in Peru in 1989. The remainder, 9.9%, are grouped by SNI due to their small relevance (they are 7125 enterprises in this category). The information was obtained from different public and private institutions, such as Public Registers, Stock Market of Lima, Comision Nacional Supervisora de Empresas y Valores (CONASEV), Confederacion Nacional de Comerciantes (CONACO), Sociedad Nacional de Industrias (SNI), ministries and financial institutions.

From this information, we have compiled concentration

1/. The data and the concentration indexes were obtained with the collaboration of members of GRADE (Grupo de Desarrollo Economico) and CIUP (Centro de Investigacion de la Universidad del Pacifico del Peru).

indexes (IC) based on the participation of the first enterprise (C1), of the first four enterprises (C4), and of the first ten enterprises (C10) from each sector, as well as the Herfindahl Index (IH). The IH is a weighted average of the participation of each firm in any activity, where the respective weights are given by the participation of each firm. The Herfindahl index shows the market concentration and it is defined as the sum of the squares of the market participation of all n enterprises in that market. It is expressed by the following formula:

$$IH = \sum_{i=1}^n y_i^2$$

where y_i is the participation of enterprise i , $y_i = Y_i / Y_t$, Y_i : sales of enterprise i , and Y_t : total sales in the market. The maximum value of IH is 1, which corresponds to the case of complete concentration: $y_i = 1$ for some i , and $y_j = 0$ for all $j \neq i$. The minimum value is $1/n$, which is obtained when all n shares are equal. This minimum tends to zero when n increases. On the other hand, the concentration index (IC) represents the market participation of the largest m enterprises, given by:

$$IC = \frac{1}{Y_t} \sum_{i=1}^m Y_i$$

in our case C1 implies $m=1$, C4 $m=4$. (Theil, 1967: 316).

The advantage of the IH is that it considers all the enterprises of the sector and grants each one a weight corresponding to its relative market, which reflects to a certain degree the inequality existing in that sector. However, one

disadvantage of the IH is that it does not clearly indicate the power that the leader enterprises could have, which is reflected in the IC. This is the reason that we have decided to use both indexes.

On the other hand, the criterion used to define whether a market or a productive activity is concentrated or not is that the C4 has control over 50% or more of the total sales. In fact, there is no objective way to define when and to what degree a market or an activity is concentrated. In an important study done on concentration in the United States (Blair, 1972), showed that the first four enterprises must be used to define the degree of concentration for each activity because they better reflect oligopolistic patterns. Blair also classified 3 levels of concentration: C4 having 50% or more of the total sales is considered to be a concentrated sector, between 25% and 50% is moderately concentrated, and less than 25% is non-concentrated sectors. Despite later studies showing that a C8 would be more representative in developing countries, a large number of studies were carried out with a C4, which explains why it is currently the most accepted value and is commonly applied in developing countries. Regarding the percentage of concentration in developing countries, the studies indicate the 25% mark as being a break point between concentration and non-concentration. We believe that using 50% as a break point would be more representative. If we were to use the first figure (25%), then the majority of the sectors and industries in developing countries would be included in this

category which would make the implementation of anti-monopolistic policies irrelevant. Furthermore, Connor and Mueller (1977) in their study of Mexico and Brazil found that the enterprises obtained excessive profits when C4 exceeded 40%. As a result, we decided to use C4 as equal to or greater than 50% to define a concentrated or oligopolistic activity (this seems to be the norm in studies done on developing countries). A sector is considered to be monopolized when C1 is equal to or greater than 50%, and, when successive enterprises are very small in size, because the first enterprise is able to dictate all activity behaviour.

One of the most significant problems we had in obtaining the data was the existence of inter-locking and dummy enterprises. As is commonly known, the annual balance presented to the government by the enterprises does not accurately reflect reality. For a conglomerate, it is common to play with revenues and expenses, sharing them among their enterprises in order to avoid taxes or production volume constraints ruled by law (i.e. limited production according to the type of enterprise etc) which distorts the values in the balance sheet. On the other hand, the existence of dummy enterprises, which are basically for tax deduction purposes, distorts the analysis of concentration patterns. To deal with these problems, we employed the methodology used by Alcorta (1987). In most cases, most of the inter-locking enterprises are formed around the known "holdings". Furthermore, our research identifies three new "holdings" (supported by CIUP) that have a lesser importance than the known "holdings". In summary, first we

considered all of the known "holdings" as the basic units of concentration, and then we considered the enterprises in individual form, as Alcorta did.

2. SECTORIAL CONCENTRATION

Table 2 and 2A summarize the degree of concentration in the national economy. We can observe in table 2 that the first enterprise is responsible for 28.6% of more than 50% of the total sales. If we take the first four enterprises with the highest sales, we find that more than three quarters of the industrial branches considered control more than 50% of the total sales. If we use the IH as an indicator (see table 2A), we find that more than 2/5 of the branches are above the 25% level. Evidently, the Peruvian economy registers a high degree of concentration. In other words, a substantial proportion of the industries or markets of goods and services in Peru are oligopolized or monopolized.

TABLE 2

DEGREE OF INDUSTRIAL CONCENTRATION IN PERU 1989
(In number of branches and percentages)

Concentration Index	For C1		For C4		For C10	
	branches	%	branches	%	branches	%
x $\geq$ 75%	13	9.8	67	50.4	108	82.0
75% > x $\geq$ 50%	25	18.8	38	28.6	17	12.8
50% > x $\geq$ 25%	52	39.1	24	18.0	6	5.2
25% > x	43	32.3	4	3.0	-	-
Total branches	133	100.0	133	100.0	133	100.0

Source: CONASEV Memoria 1989; Sociedad Nacional de Industrias 1989.

TABLE : 2A
 DEGREE OF INDUSTRIAL CONCENTRATION IN PERU 1989
 (Herfindahl Index)

Herfindahl Index	number of branches	%
$x \geq 0.75$	9	6.8
$0.75 > x \geq 0.50$	12	9.0
$0.50 > x \geq 0.25$	34	25.6
$0.25 > x$	78	58.6
Total branches	133	100.0

Source: CONASEV Memoria 1989; Sociedad Nacional de Industrias 1989.

Table 3 gives us an idea of the distribution of the leader enterprises according to the type of ownership and to the degree of concentration for the 133 branches that were studied. We found that 64.7% of the branches were composed of national private enterprises that are the leaders in sales. In manufacturing, the situation is quite similar with the national private enterprises increasing their participation to 69%. Regarding the highly concentrated branches (where the first enterprise controls more than 50% of the total sales), we found that in the economy as a whole, almost half of them were national private enterprises. Similarly, the high percentage for public enterprises reflects the monopolistic character of the state's commercial activity in various branches. However, when examining the results in manufacturing, the principal change is the major relative as opposed to total participation of foreign enterprises, which indicates that foreign capital in the Peruvian manufacturing sector

is located in those branches with higher concentrations. This information may contain inaccuracies since the absolute number of branches is insignificant.

TABLE 3

TYPE OF OWNERSHIP OF THE LEADER ENTERPRISE BY BRANCH IN 1989(1)

	In the entire Economy				In Manufacturing			
	(2)	%	(3)	%	(2)	%	(3)	%
Private Nat.	86	64.7	16	48.5	49	69.0	10	55.6
Foreign	25	18.8	6	18.2	16	22.5	5	27.8
Public	22	16.5	11	33.3	6	8.5	3	16.7
TOTAL	133	100.0	33	100.0	71	100.0	18	100.0

Notes:

- (1) Based on C1
- (2) Number of branches where the first enterprise is either Private National, Foreign or Public.
- (3) Number of branches where the first enterprise controls more than 50% of the sales.

Source: CONASEV Memoria 1989

Table . 4 shows the different degrees of concentration for the 133 branches that were studied, based on the type of ownership and on the participation of the first four enterprises in each branch.

In 35 branches out of 120, the national private enterprises included in the first four control at least 75% of total sales, as we can see in table 4. Of the 86 branches in which at least 50% of the sales are held in one type of ownership, 60 branches or 69.8% are owned by national enterprises, while

foreign and public enterprises each own 13 branches, or 15.1%. If we limit this calculation to the 55 branches in the manufacturing sector, we find that the participation of the national and foreign private enterprises increase to 72.7% and 20.0% respectively while that of the public enterprises decrease to 7.3%. However, in terms of participation in total sales in the manufacturing sector of our sample, the situation is rather different. From the sales in the concentrated branch, which reach 55.1% of the total sales, the national enterprises sold 23.6% while the foreign and public enterprises sold 23.0% and 53.4% respectively.

TABLE : 4

CONCENTRATION OF THE PERUVIAN ECONOMY
BY TYPE OF OWNERSHIP IN 1989(1)

Concentration Index	National-owned enterprises		Foreign-owned enterprises		Public-owned enterprises	
	(2)	%	(2)	%	(2)	%
x >= 75%	35	26.3	5	3.8	10	7.5
75% > x >= 50%	25	18.8	8	6.0	3	2.3
50% > x >= 25%	32	24.1	9	6.8	9	6.8
25% > x	28	21.2	36	27.1	13	9.8
TOTAL	120	90.2	58	43.6	35	26.3

Notes:

(1) Based on C4 over 133 branches

(2) Number of branches in which these enterprises control x% of the total sales

Source: CONASEV Memoria 1989

Based on the results of the above mentioned tables, we can conclude that the national private and public enterprises have the highest degrees of concentration registered. The foreign

enterprises demonstrate superior participation in the manufacturing sector only, though the national private and public enterprises are dominant here. With regard to manufacturing it is important to emphasize that foreign enterprises prefer to be involved in branches that produce raw materials or mass consumption goods, such as footwear, detergent, soaps, perfumes, tobacco, tires, electrical sets and automobiles; most of which have a high degree of concentration and a high relative weight in the total sales for the industrial sector. Public enterprises provide an explanation for the high levels of concentration in branches of virtual monopoly, that is in those branches where for historical reasons, public interest and eventual appropriation by the state, the state has reserved the market for itself. In most cases, it is usually a single public enterprise that controls the market.

Appendixes B and C present a panorama of the degree of concentration from a sectorial point of view for 1983 and 1989. For this purpose, we rely on the results of economical sectors, on which the respective indexes are based. There are four obvious conclusions that can be drawn. First of all, the highest degrees of concentration are detected in economic infrastructures, such as hydro, electricity and communication as well as in the basic industries of oil refinery, base metals and paper, sectors which are state monopolies. In extracting industries such as petroleum production and the fishery industry, where the leaders are foreign enterprises working on contract, there are also very high degrees of concentration. Secondly, in the manufacturing of consumption

goods the degree of concentration is lowest in the Peruvian economy. Thirdly, using the criterion of C1 and C4 as greater than or equal to 50% of total sales, we found that the extraction and the refining of petroleum as an economic infrastructure may be considered as monopolistic while fishery, mineral extraction, paper, non-metallic mining, metallic products and services, may be classified as oligopolistic. Finally, we found that, on the average, the first enterprise sells just over 30% of the total sales, the first four enterprises control more than 50%, while the first ten control more than 75% of the total sales, which is slightly higher than in 1983.

3. AGGREGATE CONCENTRATION

Along with the process of sectorial concentration described in the above section, a global concentration process will also be provided. This is referred to as the participation of the largest enterprises in the whole economy, which is normally associated with a higher level of power in the global economic activity of the country. Generally, these enterprises also have a higher participation within their respective markets and, therefore, have an influence both on a global level and within the interior of their respective sectors.

It is very important to note that the state has a concentration pattern. As was seen earlier, the participation of the state in the economy is basically concentrated in such

infrastructures as hydro, energy, oil industry, communications, food imports, base metal industries and paper. In general, because of public and national interests the state has a monopoly over 11 out of 133 economic activities studied. However, for our analysis we will only take into account only the private sector production, but we will also present some information on the state enterprises in order to provide a better view of the whole economic system.

TABLE 5

AGGREGATE CONCENTRATION BY SALES IN 1989
OF THE x LARGEST ENTERPRISES IN PERU

	Concentration Index %	Concentration Index (1) %
x = 25	34.1	42.7
x = 50	47.2	53.2
x = 100	58.4	63.8
x = 150	62.1	69.7
x = 200	65.0	73.4
x = 300	73.8	77.9
x = 400	78.3	81.8
x = 483	81.1	83.6
x = 3585	90.1	92.4
x = 10710	100.0	100.0

Note:

(1) Considering inter-linked enterprises

Sources: Dunning y Pearce, 1987.

Table 5 shows some figures on the aggregate degree of concentration in the Peruvian economy as well as a comparison with the situation at the international level. The first 25 enterprises in Peru sold more than one third of the total sales for our sample while the first 200 enterprises sold about two thirds of the total sales. If we consider on a whole those enterprises whose equities

are inter-linked the situation becomes critical with the first 25 enterprises increasing their participation to 42.7% and the first 200 enterprises controlling almost 75% of the total sales for the sample. In table 5 considering the 483 largest enterprises in the country, we find that these sold more than 80% of the total Peruvian production.

TABLE 5A
AGGREGATE CONCENTRATION BY SALES IN 1987
OF THE x LARGEST ENTERPRISES IN PERU AND INTERNATIONALLY
(Considering the 483 largest enterprises)

	Concentration Index (%)	
	PERU	INTERNATIONAL (1)
x = 25	46.8	30.2
x = 50	57.4	43.0
x = 100	69.8	57.9
x = 150	77.3	67.8
x = 200	82.8	75.4
x = 300	90.4	86.7
x = 400	96.3	94.9
x = 483	100.0	100.0

Note:

(1) Data for 1987

Sources: Dunning y Pearce, 1987.

Although within the first 25 enterprises there were various large public enterprises, such as PETROPERU, MINEROPERU, MINPECO, CENTROMIN, ELECTROPERU, ECASA as well as foreign enterprises such as Occidental Petroleum and Southern Peru Copper Corp., there were also various national private enterprises such as Nicolini Hnos, Backus & Johnston, Gloria, Compania Nacional de

Cerveza, Industrias Pacocha, Molinera Santa Rosa y Minas Buenaventura, whose large sizes were not obvious (see appendix D).

Within the largest 25 enterprises in Peru, there are 14 public enterprises that are almost all near monopolies, with the exception of AEROPERU, CENTROMIN and MINPECO. There are also 4 foreign and 7 private enterprises. Each of these private enterprises are controlled by one or more economic groups that are of particular interest. Nicolini Hnos., Backus & Johnston and Molinos Mayo are controlled by the Banco de Credito; Sociedad Paramonga Ltd. and Gloria SA. by the Banco Wiese group while Compania Nacional de Cerveza y Compania Minas Buenaventura are controlled by the Banco de Lima group. All of these enterprises are the leaders in their sectors, except for the Compania Nacional de Cerveza y Compania de Minas Buenaventura, which are second and fourth in their sectors. From this information, it is emphasized that breweries production is totally concentrated (86.7% of the total production is controlled by Backus & Johnston and Compania Nacional de Cerveza). Nicolini Hnos SA. trades and produces flour and controls 52% of this sector. Sociedad Paramonga Ltd. controls 38.2% dairy production, Molinos Mayo controls 25% of the flour sector. Compania de Minas Buenaventura controls 23.1% of the national private production and only 9.5% of the national mining sector, since the state owns the 3 largest mining enterprises in the country (MINPECO, CENTROMIN, MINERO PERU).

In comparing the participation of the largest enterprises in Peru with the international situation, we found that the

concentration of the first 25 enterprises in Peru was over 50% higher than that detected on an international level (considering the 483 largest enterprises in the world). As was seen in table 5A, if we consider the participation of the first 200 enterprises, Peruvian concentration is over 20% higher than international concentration and has an extremely high absolute value of 69.8%. In Mexico, the participation of the first 50 enterprises in the manufacturing industry reached 10.8% of the total production in 1978, increasing to 14.4% in 1985. The participation of the first 200 enterprises increased from 14.8% to 20.4% in this same period of time (Martinez and Jacobs, 1986 : 102). In Peru, the participation of the first 50 enterprises in the manufacturing industry was 46.6% while the participation of the first 200 enterprises reached 79.9% in 1989.

4. CENTRALIZATION OF CAPITAL

As we presented in chapter one, Peru is no exception to the process of centralization of capital which occurs in other developing countries. A widespread practice generally exists among the Peruvian managers of separating different activities that were usually grouped together in a single enterprise. Thus, the administration, the maintenance, the food service, the computing service, the technical service, the transportation service, the different factories, and any other separate activities are now

considered to be distinct enterprises. Reasons for this behaviour may be the sensitivity to the sector where the enterprises operate, taxation or labor. These commercial groups are normally small with limited economic transcendancy and, therefore they are of little interest. However, there also exists what we referred to as economic groups, in the sense that they own units of production and distribution in different activities that are controlled by a central power (Alcorta, 1987: 7).

Appendix E shows the 25 most important "holdings" in the real sector of the country classified by sales (this excludes the public sector). These 25 groups exert an influence over at least two different activities. In most cases, the principal shareholder is both chairman of the board of directors and general manager of the majority of the enterprises owned by the group, or manager of the most important enterprises. It is presumed that central management exists in these enterprises.

These "holdings" have been named for the main enterprise, which coincidentally is in each case the one with the highest sales. For the national enterprises, the ownership belongs to a family or to a financial group. These 25 "holdings" control 13.1% of the total sales for our sample; however, if we consider that the financial sector is the principal owner of 18 of these "holdings" that have interests in small enterprises, their participation could reach from 12% to 15% of the Gross Domestic Product (CONASEV, 1989: 4).

Twenty-one of these "holdings" are national. However, eighteen of them are owned by the five principal private commercial banks and three belong to a single family. The four others are foreign-owned. This ownership structure is a phenomenon particular to Peru since the creation of "holdings" seems to be characteristic of the national capital and not of the foreign capital. According to Alcorta (1987: 111) this phenomenon may be a result of the lack of good conditions provided by the state, or of the uncertainty in the market, as was presented by Leff, Tokman and Sanfuentes in chapter one. This phenomenon also result from the fact that three of the foreign groups are not transnational enterprises do not specialize in some products in their investments abroad. These enterprises are foreign investors with longstanding ties to Peru whose behaviour pattern is similar to the local pattern (Parodi, 1981: 20). In the case of La Fabril SA., it is argued that Peru plays an important role inside the Bunge Corp. (Main branch of La Fabril) strategy, for which it is necessary to diversify investments (Parodi, 1981 : 21).

On the average, each commercial group or "holding" owns 11 enterprises, however, if the smallest enterprises were included (those with sales of less than 250,000 US dollars in 1989), this number could double. The degree of diversification is quite high; the number of sectors in which the "holding" participates is on average, 6.1. It is clear that the tendency for these groups is to have a close relationship with the financial sector. However, it is against the law for foreign enterprises to take part in the

financial sector. La Fabril participated in the shares of the Banco Internacional and Compania de Seguros Peruano-Suiza until 1968, the year this restriction was imposed.

On the other hand, if we classify each of these commercial groups or "holdings" according to their principal activity, we find that twelve are involved in the industrial sector; six in the commercial sector; three in mining; two with cattle farming; one with various services; and one takes the form of a conglomerate, that is with different principal activities (Andean Report, Jan 1990). Within the industrial "holdings", there is a remarkable tendency to be involved in the sector for the production of consumption goods. These "holdings" never venture into more sophisticated fields in the production process, except when this process provides them with the raw material necessary for its principal activity. The more advanced steps are left to the state, to the foreign capital, or individual managers though, in most cases, the groups are both the suppliers of the raw materials and of the capital goods required for their production processes (Alcorta, 1987: 59).

The role of the banking firm is to guarantee the financial resources and to diversify its investments throughout the economic sectors. The large participation of the banks in the control of the principal "holdings" of the country shows the large concentration of the financial resources within a relatively small group of enterprises, which are oligopolistic enterprises or large size enterprises. At the beginning, it was unclear as to what the

principal role of the banks was in this situation -- whether it was simply another business, or whether it accomplished a financial function of the group of which it was a member. There was a clear choice for the latter position when the last three commercial banks (SURMEBANK, BANCOPER and BIC) were taken over by the state (1981-1983). In the Banco Comercial (BANCOPER) case, it was absolutely clear that the bank loaned double the legal amount to 38 of its own enterprises, thus putting itself in an extremely vulnerable position. These enterprises were spread out over six economic sectors and were in a bad economic situation. It seemed that they had been using the loans granted to the companies that formed the group to buy shares of the same bank (Andean Report, Dec. 1984). Generally, according to the Andean Report, the credit concentration in companies tied to the shareholders of the banks is a traditional feature of the Peruvian banking system (Andean Report, Sept. 1985).

Finally, most of these groups have considerably high degrees of concentration on both the sectorial and aggregate levels. This is especially true in the beer, beverage, mining, tobacco and flour industries; and in the wholesale trading of raw materials and capital goods, where the level of concentration is explained by the presence of various enterprises that belong to particular economic groups. In those sectors where the concentration level is not that high, the groups usually own the leader enterprises. All of the 25 commercial groups in appendix E occupy one of the first four position in their respective sectors.

For example, the tobacco and flour industries can be considered as monopolies since the first enterprise is largely involved in these sectors. In the tobacco industry, Tabacalera Nacional SA. (Banco Mercantil) produces 51.4% of the total sales. As was mentioned earlier, Nicolini Hnos. SA. (Banco de Credito), controls 52.0% of the total sales in the flour industry. If we include the presence of Molinos Mayo SA. (Banco de Credito) the participation of Banco de Credito in the flour industry increases to 71.4%. This is similar to the brew industry where Backus & Johnston SA. (Banco de Credito) and Compania Nacional de Cerveza SA. (Banco de Lima-Mercantil) control 86.7% of the sector. Although in this case, these enterprises belong to different economic groups, the control that the more important groups have over the market is obvious. In the textile industry, Tejidos La Union SA. (Banco de Credito-Lima), Industria Textil Piura SA. (Banco de Credito) and Fabrica de Tejidos San Cristobal SA. (Banco de Credito-Wiese) account for 24.1% of the total production.

Regarding the mining industry, the most representative national private enterprises of the sector are controlled or influenced by the Banco de Lima (Compania de Minas Buenaventura SA. and Minas San Ignacio de Morococha SA. are fourth and fifth in this sector, taking into account both public and foreign enterprises).

The participation of the economic groups in the real sector of the economy is very important. Within the 25 "holdings"

or private commercial groups (national and foreign), 18 are controlled by the economic groups of this study, and within the 25 largest enterprises in the country, the economic groups control 7. The Peruvian state participates to a great extent as an entrepreneur, owning 14 of the 25 largest enterprises, of which 11 are monopolies. Within the 200 largest enterprises in the country, these economic groups control 79 enterprises, the state 27, the foreign capital 29 and the national private entrepreneurs 65 enterprises.

Because of the large sizes and the influence of the enterprises with close ties to these particular groups over their markets, it is clear that the requirements of capital of work and financial resources are equally important. In 1989, Banco de Credito provided 48.4% of the total loans to the enterprises under its control or influence; this is an increase from 42.4% in 1983. The concentration ratio of 48.4% means that 14.1% of the total credits granted by the Peruvian financial system was granted to the groups of enterprises related to the largest bank in the country (SBS, 1989 and CONASEV 1989). The Banco Wiese loaned 39.2% of its credits to its own enterprises, the Banco de Lima did the same with 37.8%, the Banco Latino with 51.1% and the Banco Mercantil with 35.9%. Table 6 indicates a substantial increase in the credit concentration for 1989 with respect to 1983, which may suggests that there is an inverse relationship between financial concentration and economic growth.

TABLE 6

CREDITS AND LOANS OF THE ECONOMIC GROUPS
TO THEIR ENTERPRISES AND TO THE ECONOMY
(In percentages)

	TO THEIR ENTERPRISES		TO THE ECONOMY
	1983	1989	TOTAL
Banco de Credito	42.4	48.4	29.8
Banco Wiese Ltd.	33.3	39.2	7.7
Banco de Lima	34.1	37.8	4.9
Banco Mercantil	30.7(1)	33.9	2.8
Banco Latino de Fomento de la Construcción	45.7	51.1	2.3
			47.5

(1) Data for 1984

Source: Superintendencia de Banca y Seguros, Memoria 1989

The situation shown in the table could be the result of the bankers' intention to help their own enterprises obtain the financial resources needed to succeed during hard times. However, this produces high costs because of the level of risk involved which is caused by the economic crisis and that may affect the enterprises' solvencies. Therefore, liquidity is restricted to other enterprises that eventually collapse during an economic crisis, such as Peru is going through presently, because of a lack of financial support. This constraint produces bankruptcies, impedes the normal injection of funds into the economy that are required by the real sector which has been unilaterally restricted by the financial sector. The concentration of a privileged group of enterprise, which promotes oligopolism and increases the differences in the distribution of income is a source of concern.

CHAPTER IV

CONSEQUENCES OF ECONOMIC CONCENTRATION

The previous chapter provided empirical evidence for the existence of high concentration levels in the Peruvian economy resulting from both the state participation and from private concentration patterns. We also observed that the large participation in the market by the most important enterprises that are managed by the economic groups have, in some cases, monopolized the market and, in many cases, formed oligopolies.

The present chapter offers conclusions for the data analysis done, shows the effects on the economy, and formulates some basic considerations for an antimonopoly policy in the country.

THE EXISTENCE OF A "SUPERGROUP" OF POWER

Up to now we have studied the economic groups of power separately while suggesting that most of the stock companies that form this commercial constellation are influenced or controlled by more than one economic group.

Table 7 demonstrates the close relationship that exists among the five principal economic groups as well as the interconnections among the enterprises.

TABLE 7
STOCK COMPANIES IN COMMON OF THE ECONOMIC GROUPS

GROUP	1	2	3	4	5
1. BANCO DE CREDITO DEL PERU	-	57	71	1	5
2. BANCO WIESE LTD.	57	-	50	2	2
3. BANCO DE LIMA	71	50	-	1	13
4. BANCO LATINO DE FOMENTO DE LA CONSTRUCCION	1	2	1	-	-
5. BANCO MERCANTIL DEL PERU SA.	5	2	13	-	-

Source: CIUP, 1990

The five principal groups are listed in table 7 in horizontal and vertical form. When a stock company is common to two

groups, the number of existing relationships between the two is entered in their proper columns. For example, the Banco de Credito del Peru group shares 57 stock companies with the Banco Wiese Ltd., and shares 71 stock companies with the Banco de Lima group.

A careful analysis of the table proves the following: 1) all the groups of power are tightly interconnected through the joint ownership of stock companies, with the exception of the Banco Latino de Fomento de la Construcccion and the Banco Mercantil del Peru SA.; 2) the largest, oldest and most powerful groups are those with strong relationships amongst themselves, such as the Banco de Credito del Peru group, the Banco Wiese Ltd group and the Banco de Lima group. The groups with less power are those that have been recently established and that have fewer ties, such as the Banco Mercantil del Peru SA. group and the Banco Latino de Fomento de la Construcccion group.

Table 7 shows that most of the economic groups are interconnected and that this union is principally accomplished through the Banco de Credito del Peru group, the Banco de Lima group and the Banco Wiese group.

The union of the economic groups through the joint ownership of stock companies forms a "supergroup" (Anaya, 1990: 164). This "supergroup" consists of the five principal groups which own in common 103 stock companies with a combined capital of 682'770,208 US dollars, and combined sales of 741'422,025 US dollars for 1989.

In other words, the "supergroup" controls 26.1% of the stock companies and 47.3% of the equity of all economic groups of power. However, this "supergroup" could be extended if we take into consideration the stock companies controlled by a single group. According to Appendix A, 403 enterprises are controlled or influenced by the "supergroup", whose equity was equivalent to 1,443'702,008 US dollars and whose sales equalled 1,528'747,034 US dollars in 1989, which is equivalent to 12.1% of the Gross Domestic Product for that year. Furthermore, considering that, in Peru, the participation of the state in the GDP is approximately 52% (CONASEV, 1989: Appendix 3), then 48% of the national production is carried out by private capitals, meaning that one quarter of the private production in Peru is controlled by this "supergroup" of economic power.

The "supergroup" has an influence over or controls almost all of the economic activities in the country: extraction, concentration and refining of copper, lead and zinc; extraction, transformation, comercialization and exportation of hydrobiological products for human consumption; production of evaporated, condensed or precondensed milk; production, sales and all activities relating to the brew and malt industry; production of fruit juice, oil and greases, wines, cotton textiles, paints, chemical products and related industries, glass and glass containers, toiletries, printing, purchase and sale, construction, real state, insurance, purchase and sale of stock values; electricity and activities relating to tourism and hotels. This shows the "supergroup" broad

diversification of activities as well as the integration of the production process, which render this process independent of all other groups as Tokman and Leff described in chapter one. The concentration by economic sector for the enterprises related to the economic groups is shown in table 8.

TABLE 8

CONCENTRATION INDEX BY ECONOMIC SECTORS
OF THE PRINCIPAL ENTERPRISES OF THE GROUPS OF ECONOMIC POWER

SECTORS	ENTERPRISES	IC	ORDER
AGRICULTURE	6	28.1%	(7)
MINING	27	31.2%	(6)
PETROLEUM	1	5.8%	(12)
MANUFACTURING IND. ¹	131	12.6%	(10)
ELECTRICAL ENERGY	2	3.8%	(14)
CONSTRUCTION	48	49.3%	(3)
COMMERCE	73	36.8%	(5)
TOURISM	5	15.1%	(9)
TRANSPORTS	10	11.0%	(11)
STORAGES	18	19.6%	(8)
BANKING	5	47.5%	(4)
FINANCIAL INSTITUTIONS	28	87.6%	(1)
INSURANCES	14	79.8%	(2)
COMUNICATION MEANS	2	0.5%	(15)
SERVICES	12	7.2%	(13)

Note:

(1) However, most of these enterprises are part of "holdings". In this case there are 10 holdings that concentrates 10.1% of the sector.

Source: CONASEV, Memoria 1989.

In 6 out of 15 defined sectors the concentration is greater than 30%. However, the concentration of power in the financial sector is obvious. The insurance and financial companies that belong to the "supergroup", have a weight of 79.8% and 87.6% respectively. Although these companies are regulated by the Central Bank and the Superintendencia de Banca y Seguros (Peruvian

Superintendent of Banking), they control most of the money of the society. The "supergroup" also controls the following activities: mining (31.2%), construction (49.3%) and commerce (36.8%). These three important sectors, which provide many jobs, also have a high degree of concentration. However, if we consider the concentration indexes of these enterprises excluding the public sector, the situation appears more interesting (see table 9). In 7 out of 15 activities, the "supergroup" controls more than 30% of the market, and in 4 of these 7, it controls more than 50% of the market. The control over the financial system is extremely high, more than 88%.

TABLE 9

CONCENTRATION INDEX BY ECONOMIC SECTORS
OF THE PRINCIPAL ENTERPRISES OF THE GROUPS OF ECONOMIC POWER
(Excluding the Public Enterprises)

SECTORS	Number of ENTERPRISES	IC ¹
AGRICULTURE	6	28.1%
MINING	27	49.8%
PETROLEUM	1	40.6%
MANUFACTURING IND. ²	131	14.8%
ELECTRICAL ENERGY	2	9.6%
CONSTRUCTION	48	49.3%
COMMERCE	73	51.8%
TOURISM	5	15.1%
TRANSPORTS	10	12.5%
STORAGES	18	19.6%
BANKING	5	88.9%
FINANCIAL INSTITUTIONS	28	98.9%
INSURANCES	14	90.0%
COMUNICATION MEANS	2	0.8%
SERVICES	12	8.2%

Source: CONASEV, Memoria 1989.

Notes:

- (1). Considers only the private enterprises (national and foreign)
(2). There are 10 major holdings that concentrate 12.5% in this sector.

Table 10 shows that in 7 out of 15 sectors the equity controlled by the "supergroup" is greater than 30%, and the total equity, which is equivalent to 1,443'702,008 US dollars represents 10.2% of the Peruvian GDP for 1989. This clearly shows the relevance of this group in the economy, and why its analysis is important for the economic development in any country.

TABLE 10

CONCENTRATION INDEX OF EQUITY BY ECONOMIC SECTORS
OF THE PRINCIPAL ENTERPRISES OF THE GROUPS OF ECONOMIC POWER

SECTORS	ENTERPRISES	IC ¹
AGRICULTURE	6	32.1%
MINING	27	34.2%
PETROLEUM	1	6.2%
MANUFACTURING IND.	131	10.1%
ELECTRICAL ENERGY	2	2.9%
CONSTRUCTION	48	48.7%
COMMERCE	73	34.1%
TOURISM	5	11.4%
TRANSPORTS	10	9.8%
STORAGES	18	21.1%
BANKING	5	58.7%
FINANCIAL INSTITUTIONS	28	85.4%
INSURANCES	14	77.1%
COMUNICATION MEANS	2	0.5%
SERVICES	12	7.3%

Source: CONASEV, Memoria 1989.

Note:

(1). Including Public Enterprises

EFFECTS ON THE DISTRIBUTION OF INCOME

According to official figures, between 1970 and 1984 the growth rate of the Peruvian economy was 1.7% annually, with the highest growth rate (6% per year) during the period 1970 to 1974. In 1986, Peru registered a growth rate of 9.5%, and Brazil a growth

rate of 8.8%, these countries had the highest growth rates in Latin America.

The limited expansion that the Peruvian economy underwent during the period between 1970 and 1984 was reflected in the unequal distribution of income. In fact, in 1975, 26% of the national income was accrued as profits while, in the other extreme, 74% of the national income was accrued as wages. A decade later, the inequality in the distribution of the national income increased. In 1985, 59.0% of the income was accrued by profits while the remaining 41.0% was divided among the workers etc, (as wages). Between 1975 and 1985, the income of peasants, workers, employees, and independent workers decreased by 33.0% while this same percentage was accrued by entrepreneurs and owners (as profits).

According to the Instituto Nacional de Planificacion (National Institute of Planning) (INP, 1987: 110) the concentration of the national income was a consequence of the concentration of the internal market, which impeded economic growth and the absorption of the workmanship through adequate jobs. Many salaried persons and employees became poor while a small group of profit earners, especially those with assets in the financial sector, increased their relative income.

This explains why, in 1985, 54% of the economically active population (the under-employed) were not able to satisfy their basic needs: food, shelter, health and education. This lead

to an unfavourable climate of increased social conflicts culminating in violent outbursts, labor conflicts, crime, etc. (INP, 1987: 112).

As a result of president's Garcia policies, the hierarchy of income distribution changed in favour of the peasants, salaried persons and informal workers for a very short term. Between 1985 and 1986 the participation of these groups had grown from 30.8% to 31.6%. Within this increase the agricultural income rose from 7.9% to 8.7% while the participation of the informals and independent workers rose from 15.0% to 17.9%. In spite of this initial gain, in 1987, the workers were still impoverished and by 1988 their situation had worsened (in an approximate proportion of -40.0% in relation to December 1987). Because of a growing economic crisis affecting Peru, by 1989 the situation was worse still in a proportion of -62.1% (in relation to December 1987). However, the long term pattern is not observable. (INP, 1987: 121).

We are dealing with a very complex process. There is no direct relationship between concentration and income distribution. Economic concentration leads to the appropriation of income by the "supergroup". There is a tendency to concentrate wealth which conduces to the concentration of income. This is achieved through the control of the assets, the appropriation of surplus and, more importantly, through the gains from the political system.

We have just presented an example of what happened in the Peruvian context over the last 8 years in a situation of increasing economic concentration. For Peru, the eighties have been full of

shocks and distortions and therefore, an analysis of the long term pattern of income distribution is not possible. However, the importance of the income distribution topic could not be overlooked in our discussion.

As Anaya said (1990: 119), the unequal distribution of the national income is a consequence of the concentration of the private ownership. Therefore, to eliminate differences in the distribution of the national income, it would be necessary to modify the structure governing the division of the ownership. To keep the existing structure and all its benefits will only serve to the rich richer and the poor poorer. What is worse is that the poor will be condemned to eternal punishment on this land.

EFFECTS ON INFLATION

In situations, where an oligopoly exists (as in Peru), prices are fixed by cost conditions. This means that reached by adding a gross margin of profit to the average cost. The two principal costs are labour and raw materials. An increase in the real salaries and wages (above the average productivity) could increase internal prices. Equally, an increase in the price of raw materials, or a variation in the desired profit margin would cause an increase in the general level of prices. What are the factors that determine the desirable profit rate? and what costs should be used? These are questions still left open to debate (Sawyer, 1985 :

24). It is clear that prices determined in this way are higher than those determined in other ways, and that the degree of oligopoly has an important influence (mark-up behaviour). Furthermore, the market power allows the oligopolist to adjust production level before prices, thereby assuring profits (Leff, 1981: 69). The result is high price levels (a feature common to most developing countries) that are extremely difficult to lower because volumes of production are adjusted before any variations in market conditions occur. This also explains the high levels of idle installed capacity that are observed in developing countries.

The high degree of concentration also seems to be one of the reasons why the impact of the devaluation of currency, and/or the increase in the price of imported raw materials on internal price levels are so significant. The producer and trader can directly transfer to the consumer the impact of the increase in the cost of raw materials without lowering their prices. They can also maintain desirable profit margins in spite of higher costs, thus influencing sale prices and creating an inflationary impact that is higher than that of devaluation.

That is why restrictive monetary, credit, or fiscal policies oriented at reducing inflation have the opposite impact of considerable losses in production and jobs. Thus, the orthodox adjustment policy that was used, not only in Peru but in various other Latin-American countries, induced a period of recession with higher price levels than before.

In this context, it is necessary for the state to control

or to regulate prices (independently or as a part of a rigorous antimonopoly policy). Whitworth (1981) defends the control of prices in developing countries based on three arguments: First of all, a price reduction can force the oligopolist to increase its production level in order to reduce the degree of idle installed capacity and to increase the surplus level of the economy; secondly, it can persuade the oligopolist to reduce its production costs to maintain its profit level; and finally, the control of prices contributes to the redistribution of income from the producers to the consumers. Although there are obviously a series of complications in the systems of price adjustment in developing countries, the degree of oligopoly in these countries provides overwhelming evidence for the necessity of at least some flexible way to regulate prices.

Some authors argue that the best way to fight the impact of oligopolies on prices is through import liberalization (Leff, 1974; Kafka, 1981). Without initiating a detailed discussion, it is important to remember that there is an international pattern of concentration as well as concentration in the commercial sector; that high income consumers in developing countries would pay practically any price for imported goods; and that the effects on production, employment, and on the balance of payment are so great that they do not justify such action (maybe with the exception of countries with similar development and with who commercial and integration agreements exist). This does not mean, in any case, the protection of oligopolies, but confirms the necessity of a decided

national antimonopoly policy.

Finally, it is important to emphasize that a high level of concentration also distorts relative prices in the economy. Enterprises with a large influence over the market are normally suppliers or consumers of enterprises from branches with little influence on prices, particularly medium and small enterprises authorizing them to obtain special advantages. Also, a significant degree of oligopolization carries distortions in terms of exchange between agriculture and industry and between the countryside and the city.

THE NECESSITY OF AN ANTIMONOPOLY POLICY IN PERU

The advantages of an antimonopoly policy (known as a group of regulations implemented to avoid excessive degrees of concentration as well as noxious effects on economic development) is supported by several considerations that are important to note. In the first place, the diffusion of economic power is healthy in any economic system. The concentration of economic power in an enterprise or a group of enterprises goes beyond the purely commercial relations. It provides enterprises with the authority to alter the game rules in their favour, thus ensuring certain benefits or grants that would not be obtained in other ways (Jacquemin, 1982 : 10). In the second place, the risk taken by society is diminished because it does not depend on a reduced number of institutions. The impact of a crisis on society would be

greater in a very concentrated economy than in one with many independent entities, or in commercial terms one with a "diversified portfolio". In the third place, it is important to protect small and medium size enterprises against the enterprises and powerful groups that expose consumers, workers and smaller competitors to risk (Jacquemin, 1982: 11). In the fourth place, an exact distribution of resources must be assured. The existence of a high degree of concentration is contrary to that objective since the enterprises or leader groups can easily bias the distribution of resources in their favour and in the favour of those that control them. This is especially important in developing countries such as Peru where the unequal distribution of resources is particularly critical. In the fifth place, antimonopoly policies help to create more homogeneous structures. A high level of economic concentration contributes to the generation of immense disparities in production, employment, productivity and prices among sectors, regions and social groups, that become increasingly difficult to resolve. Finally, it is extremely dangerous for weak democracies such as Peru to differentiate access to the institutions of the state. Indeed, in order for the constitutional regimes to be stable, the population has to perceive at least some equality of access and participation in the state.

The objective is not to renounce technological advance, to suggest small-scale production, to attain the perfect competence pattern of the conventional microeconomy, or to ensure that all inhabitants have shares in enterprises. A consideration of

technical, administrative or financial scale economies, commercial development and market sizes must be included; however, the enterprises in Peru must be subjected to rigorous scrutiny in these aspects. There are studies that show, with the exception of some sectors, that the technological scale economies do not justify the dimensions of the largest enterprises currently existing on a worldwide level (Jacquemin, 1982 : 14). Furthermore, as technology evolves, optimum sizes change through the years. Also, human participation determines the direction of technological advance and, therefore it is susceptible to modification. We cannot forget that technical advance is fundamentally realized in countries with economic and political realities totally different from those of Peru. Therefore, it is necessary to evaluate all of the elements. In spite of the practical problems that exist in carrying out studies on concentration, all the evidence points to a significant bias favouring the largest enterprises and conglomerates, which in our opinion must be reversed.

CONCLUSIONS

The first conclusion is that the degree of concentration in Peru is extremely high. In comparative terms this conclusion use to be confirmed. Generally, international evidence proves that countries with smaller markets sistematically have higher concentration levels (Pryor, 1972 : 27).

We found that the degree of concentration in Peru is higher than in other countries of similar sizes such as Colombia or Chile. Compared to larger countries like Brazil and Mexico, the concentration level in Peru was even higher. It is important to emphasize that these affirmations be considered with prudence because of the various periods of analysis and the methodology used in comparative studies done on an international level. However, the differences in concentration between Peru and these countries are so large that this conclusion may be considered realistic. Furthermore, other comparative studies done on Latin America tend to confirm this result. Out of ten Latin-American countries arranged in order of their industrial and aggregate degree of concentration Peru was the third most concentrated country, behind Costa Rica and Uruguay, while countries such as Paraguay, Ecuador and Venezuela had lower degrees of concentration (Meller, 1988: 97).

Regarding the evolution of concentration, the results of this study indicate a considerable increase between 1983 and 1989, which suggests that there is an inverse relationship between concentration and economic growth. Economic concentration has increased in the past years. Compared to 1983 (when GDP fell by 13%), 1989 indicates a higher level of concentration in most economic activities and more importantly, a decrease in GDP to the level that existed in 1964 (in 1989 GDP fell by 14%, CONASEV, 1989: 2). However, the inverse relationship is a suggestion and not a conclusion, since at the end of a recessive period as in 1983, the

recovery period implies the creation of a new concentration pattern (this probably either did or did not happen).

During 1986 and 1987, when the production activity was expanded there was a period of economic "boom" and an enlargement in the internal market, that allowed for the expansion of various sized enterprises in different sectors, which resulted in a small reduction in the degree of concentration. However, while the crisis was growing, the conditions under which the enterprises were operating became very difficult. Most of them were forced to shut down completely or to reduce their activities, which allowed the larger enterprises to increase their participation in the market. Within this general context, the participation in the market remained rather stable in those sectors that were highly concentrated in 1983. In lesser concentrated markets, the establishment of other enterprises was originally possible, however this was soon limited by an accelerated process of concentration, which seemed to be the long term tendency. This accelerated concentration was largely compensated by previous decreases.

Regarding the role of foreign enterprises (one of the most discussed themes by experts in this area), the results of this study tend to support those of the studies in which the foreign capital is of a lesser importance in the market structure because of the low degree of concentration reported by these enterprises. However, this conclusion must be considered with prudence because the foreign enterprises have a relative and rather high participation in the concentrated branches of the manufacturing

sector.

Finally, the findings of this paper reinforce that the principal form of the Peruvian commercial organization is the "economic group". As a matter of fact, a small number of families control an enormous quantity of capital and have a dominant influence over the Peruvian economy. To a large extent, the groups are responsible for the high degree of concentration detected in the various sectors that were studied. Their basic sectorial preferences are the production and commercialization of food, beverages, textile, real state and they generally have an important participation in the financial sector.

The participation of the economic groups in the political sphere allowed them to get multiple favours from the state (tax reduction, loans at low interest rates, subsidies, financing, contracts, cheap inputs, etc). The state is an important instrument for the supergroup's purposes. If we analyse the structure of the state we can prove that presidents of the country have been surrounded by many well-known entrepreneurs (partners of the supergroup). For example in Banco Industrial and the ministry of Industry some well-known entrepreneurs have held important positions (Lanatta Piaggio, Brescia Cafferata, Benavides de la Quintana, Olachea). As we have seen, the state, through its passive policy, has allowed the formation of economic groups. However, it seems that the economic groups have "created" their own state.

Between 1983 and 1989 the economic groups have increased

the number of their enterprises in order to diversify the influenced sectors, with the exception of those that could monopolize the market (flour, beer, tobacco, loans). The groups' increase in power has enabled them to control approximately 14% of the GDP for 1989.

The capacity for growth of the enterprises entwined to these groups was 2.1 times higher (on average) than the others (CONASEV 1989 : 3) even though general production has been decreased. However, when comparing enterprises of equal sizes, that are either related or not to commercial banks, those that are related dealt better with the economic crisis of the past years, because of the facility in obtaining monetary liquidity from the financial system. From this view it is easy to understand the difficulties that most of the formal enterprises have in obtaining credits. However, for the informal sector of the economy (55% of the population) is almost impossible to obtain credits.

As has been demonstrated, it is the individuals and the small, medium and large enterprises that deposit their savings, however, this money is designated for a small commercial group that is commonly made up of large enterprises, and in some cases, oligopolies that are mostly located in Lima. This indicates the constant transfer of resources from the provinces to the nation's capital, that is from the poorer region to the richer region. Therefore, it is necessary that each province can manage its own resources and dispose of them for its own growth. It is indispensable to democratize the credit and designate it to those

that apply for it to give equality of opportunities. The actual policy that concentrates the credits also impedes the creation and growth of small or medium enterprises (there is only one possibility to grow, with self-financing) that increase employment in the whole economy. However, the crisis that crippled the economic and institutional sector of the civil society will not permit the democratization of the Peruvian capitalist system.

We can conclude, that the financial sector (especially the credit sector) is an instrument of wealth concentration and a stagnation tool of the production sectors. The stagnation of the economy has impeded the modernization of the economy and the fall in the standard of living of the Peruvians.

APPENDIX

APPENDIX A

THE PRINCIPAL ECONOMIC GROUPS IN PERU (1989)
(In US Dollars)

GROUP	STOCK COMPANIES CONTROLLED	NUMBER OF SECTORS	PATRIMONY OF THE GROUP (US \$) ¹
Banco de Credito del Peru	180	09	930'436,544
a) Romero Seminario-Raffo	59	08	475'004,698
b) Brescia Cafferata	74	07	594'282,030
c) Nicollini Bernucci	23	05	209'775,810
d) Bentin	28	08	363'336,397
Banco Wiese Ltd.	95	10	349'208,175
a) Wiese de Osma	28	08	69'426,944
b) Berckemeyer	10	03	103'080,517
c) Picasso	13	05	100'658,342
Banco de Lima	142	09	688'667,242
a) Brescia Cafferata	59	07	411'376,540
b) Olaechea Dubois	12	03	218'969,389
c) Benavides de la Quintana	18	04	73'563,407
d) Bentin	20	05	221'974,784
e) Berckemeyer	13	04	266'459,316
Banco Latino de Fomento de la Construccion	29	09	51'199,089
a) Grana y Montero	12	04	24'698,481
b) Michell Stafford	14	04	11'759,993
Banco Mercantil del Peru SA.	112	08	307'177,774
a) Piaggio	38	06	216'105,316
b) Aguirre Roca	14	06	49'827,224

Sources: Comision Nacional Supervisora de Empresas y Valores (CONASEV)
Bolsa de Valores de Lima, Superintendencia de Banca y Seguros.

Notes:

(1) In 1989 the main economic groups controlled or influenced 403 stock companies, whose equity was 1,443'702,008 US dollars. The total in appendix A is greater because we have included stock companies controlled by two or more groups and this implies double accounting.

APPENDIX B

SECTORIAL CONCENTRATION IN 1983
(In percentages)

	C1	Order	C4	Order	C10	Order
Agrarian Production	20.3	(18)	49.0	(16)	68.1	(12)
Poultry and Cattle Production	7.8	(19)	43.2	(18)	61.8	(15)
Fishing	47.9	(6)	77.5	(7)	100.0	(1)
Petroleum Production	65.6	(4)	97.4	(2)	100.0	(1)
Metalic Mineral Extract.	30.9	(11)	63.3	(11)	76.6	(9)
Other Minerals Extract.	14.3	(21)	43.2	(18)	78.6	(8)
Non Metalic Minning	22.1	(16)	52.5	(14)	74.7	(10)
Food, Beverage and Tobacco	6.4	(28)	20.9	(25)	40.0	(21)
Textils and Shoeware	10.8	(24)	26.6	(24)	44.0	(19)
Wood	12.8	(23)	40.9	(19)	73.4	(11)
Paper	33.4	(8)	51.9	(15)	67.5	(13)
Chemical Products	6.3	(29)	20.3	(26)	31.7	(22)
Petroleum Refining	97.0	(1)	100.0	(1)	100.0	(1)
Metales Basicos	47.5	(7)	77.3	(6)	93.6	(5)
Metalic Products	10.6	(25)	27.3	(23)	45.5	(18)
Electricity, Gas	51.4	(5)	93.8	(3)	99.8	(2)
Hydro	74.8	(2)	100.0	(1)	100.0	(1)
Construction	13.2	(22)	29.4	(22)	50.2	(17)
Commerce (wholesale)	25.9	(15)	35.9	(20)	43.6	(20)
Commerce (retail)	6.6	(27)	16.4	(27)	27.6	(24)
Turism and Hotels	14.5	(20)	46.6	(17)	68.9	(13)
Transport	10.1	(26)	32.5	(21)	58.2	(16)
Communication	67.1	(3)	100.0	(1)	100.0	(1)
Banking	31.1	(11)	69.1	(10)	89.3	(6)
Financial Services	26.1	(14)	67.6	(11)	96.7	(3)
Insurances	28.9	(13)	75.8	(8)	100.0	(1)
Services to Enterprises	5.9	(30)	16.1	(28)	31.1	(23)
Services to Families	21.9	(17)	57.3	(13)	86.0	(7)
Entertainment	36.0	(9)	81.5	(5)	94.8	(4)
Other Services	25.9	(15)	72.0	(9)	100.0	(1)
Others	31.7	(10)	86.3	(4)	100.0	(1)
Simple Average	29.4		56.9		74.2	

Source: L. Alcorta, 1987 and CONASEV Memoria 1983 y 1984

APPENDIX C

 SECTORIAL CONCENTRATION IN 1989
 (In percentages)

	C1	Order	C4	Order	C10	Order
Agrarian Production	21.3	(18)	49.2	(16)	68.2	(12)
Poultry and Cattle Production	7.9	(19)	44.1	(18)	62.1	(15)
Fishing	47.0	(6)	78.3	(7)	100.0	(1)
Petroleum Production	66.1	(4)	96.9	(2)	100.0	(1)
Metalic Mineral Extract.	32.9	(11)	65.3	(11)	78.8	(9)
Other Minerals Extract.	15.1	(21)	44.1	(18)	79.4	(8)
Non Metalic Minning	22.7	(16)	52.7	(14)	76.7	(10)
Food, Beverage and Tobacco	7.2	(28)	22.6	(25)	43.1	(21)
Textils and Shoeware	10.5	(24)	27.2	(24)	44.3	(19)
Wood	12.3	(23)	40.4	(19)	73.5	(11)
Paper	34.2	(8)	52.7	(15)	68.1	(13)
Chemical Products	7.0	(29)	21.8	(26)	31.9	(22)
Petroleum Refining	98.1	(1)	100.0	(1)	100.0	(1)
Basic Metals	45.9	(7)	78.5	(6)	94.3	(5)
Metalic Products	11.2	(25)	28.1	(23)	46.2	(18)
Electricity, Gas	52.5	(5)	95.0	(3)	99.8	(2)
Hydro	76.3	(2)	100.0	(1)	100.0	(1)
Construction	14.0	(22)	30.2	(22)	56.7	(17)
Commerce (wholesale)	26.3	(15)	36.2	(20)	44.0	(20)
Commerce (retail)	6.9	(27)	16.7	(27)	28.1	(24)
Turism and Hotels	15.4	(20)	46.2	(17)	68.7	(13)
Transport	10.7	(26)	34.3	(21)	59.5	(16)
Communication	65.5	(3)	100.0	(1)	100.0	(1)
Banking	31.5	(11)	69.3	(10)	90.1	(6)
Financial Services	26.9	(14)	68.1	(11)	96.6	(3)
Insurances	29.2	(13)	76.0	(8)	100.0	(1)
Services to Enterprises	6.1	(30)	16.6	(28)	31.5	(23)
Services to Families	22.0	(17)	57.5	(13)	86.4	(7)
Entertainment	36.2	(9)	82.2	(5)	94.5	(4)
Other Services	25.6	(15)	72.7	(9)	100.0	(1)
Others	31.6	(10)	86.2	(4)	100.0	(1)
Simple Average	31.1		57.4		76.3	

Source: CONASEV Memoria 1989.

APPENDIX D

THE 25 LARGEST ENTERPRISES IN PERU IN 1989

NAME	ORIGIN
1. PETROPERU	(S)
2. MINPECO	(S)
3. CENTROMIN	(S)
4. Occidental Petroleum Co.	(F)
5. Southern Peru Copper Corp.	(F)
6. MINERO PERU	(S)
7. Electrolima	(S)
8. ECASA	(S)
9. ENTELPERU	(S)
10. SIDERPERU	(S)
11. ElectroPeru	(S)
12. Nicolini Hnos. SA.	(P)
13. Sociedad Paramonga Ltd.	(P)
14. Hierro Peru	(S)
15. Gloria SA.	(P)
16. Backus & Johnston SA.	(P)
17. ENAPUPERU	(S)
18. AEROPERU	(S)
19. Cia Nacional de Cerveza SA.	(P)
20. ENCI	(S)
21. Industrias Pacocha SA.	(F)
22. Molinos Mayo SA.	(P)
23. Cia Peruana de Telefonos SA.	(S)
24. Cia Minas Buenaventura SA.	(P)
25. R. O. Custer	(F)

Nota: (S) Public Enterprises
 (F) Foreign Enterprises
 (P) Private National Enterprises

Source: Andean Report, Jan 1990.

APPENDIX E

THE 25 LARGEST PRIVATE HOLDINGS IN PERU IN 1989

Name	Group Owner
1. Nicolini Hnos. SA.	Credito
2. Tejidos La Union SA.	Credito, Lima
3. Industria Textil Piura SA.	Credito
4. La Fabril SA.	Foreign
5. Cia Nacional de Cerveza SA.	Lima, Mercantil
6. Backus & Johnston SA.	Credito, Lima
7. Ferreyros SA.	Family
8. Cia Minas Buenaventura SA.	Lima
9. Industrias Pacocha SA.	Foreign
10. Cemento Norte Pacasmayo SA.	Credito
11. R.O. Custer	Foreign
12. Industrias del Cobre	Lima
13. Molinos Mayo SA.	Credito
14. Tabacalera Nacional SA.	Mercantil
15. Cia. Aviacion Faucett SA.	Family
16. Cia San Ignacio de Morococha	Lima
17. TODOS SA.	Family
18. Del Mar SA.	Credito, Wiese
19. CARSA	Lima
20. Jose R. Lindley SA.	Mercantil
21. Envases Metalicos SA.	Foreign
22. Ceramicas y Mosaicos SA.	Wiese
23. GLORIA SA.	Wiese, Lima
24. Nutrinal	Lima
25. Fabrica Tejidos San Cristobal	Credito, Wiese

Sources: Andean Report, Jan 1990.
CONASEV Memorias various years.

APPENDIX F

ENTERPRISES OF THE BANCO DE CREDITO GROUP

Agriculture and Cattle

- Negociacion Agricola Sintuco SRL.
- Ganadera Schilcayo SA.
- Selva Agricola SA.
- Negociacion Agricola Mallares SA.
- Negociacion Agricola C. Romero y Cia. SA.
- Agropecuaria Santa Angela SA.

Mining

- Minas del Sur (MINSUR)
- Minas Carabaya SA.
- Sociedad Minera Yauli SA.
- Cia Minera Atacocha SA.
- Cia Minera Alianza SA.
- Minas Arcata SA.
- Misti SA.
- Aurifera Chabuca SA.

Manufacturing

- Oleaginos Pisco SA.
- Cia. Industrial del Peru-Pacifico SA.
- Calixto Romero SA.
- Fabrica de Aceite San Jacinto SA.
- Palmas del Espino SA.
- Nutreina SA.
- Nicolini Hnos. SA.
- Molinos Cusipata SA.
- Agropecuaria del Pacifico SA.
- Selva Industrial SA.
- Del Mar SA.
- Conservas Compass SA.
- Molinera Inca SA.
- Molinos Mayo SA.

Beer and Other Beverage

- Cerveceria Backus & Johnston SA.
- Cerveceria San Juan SA.
- Cerveceria del Norte SA.
- Malteria Lima SA.
- Jugos del Norte SA.

Textile

- Fabrica de Tejidos La Union SA.
- Industrias Tarapoto SA.
- Bordados Modernos SA.
- Universal Textil SA.
- Fabrica de Tejidos Ica SA.
- Confecciones Ica SA.

- Cia de Industrias Nacionales SA.
- Union Bond SA.
- Funcional SA.
- Hilos Cadena Llave SA.
- Industria textil Piura SA.
- Fabrica de Tejidos San Cristobal SA.
- Tecnicolor SA.

Leather

- Tenera Union Cia. SA.

Lumber

- Madera SA.
- Comercial y Servicios Madereros SA.

Printing

- Industria Grafica Enotria SA.
- Editorial Imprenta Amaru SA.

Chemical-Pharmaceutic

- Cia Peruana de Pinturas SA.
- Uniquimica SA.
- Industrias Fast SA.
- Explosivos SA.
- Intipharm SA.

Plastics

- Industrias Cacer SA.
- Manufactura del Sur SA.

Glasses

- Cia Manufacturera de Vidrios del Peru Ltd SA.
- Vidrios Planos del Peru SA.

Electrical Machineries and Accesories

- Conductores Electricos Peruanos SA.
- Construcciones Electromecanica SA.
- Conductores Electricos del Sur SA.
- Fabrica de Equipos de Telefonía SA.

Automotors

- Volvo del Peru SA.

Construction and Real State

- La Inmobiliaria SA.
- Sociedad Peruana Comercial SA.
- Santa Isable SA.
- Cia Inmobiliaria C. Romero SA.
- Promotora y Edificadora Ausonia SA.
- Inmobiliaria Camino Real SA.

- El Retablo SA.
- Constructura Marielba SA.
- Tungasuca SA.
- Inmobiliaria Los Portales SA,
- Viviendas Sociales Cahuachi
- Inversiones SOL de La Molina SA.
- Prodevensa SA.
- Inversiones Angela SA.
- Inmobiliaria Acuario SA.
- Negocios de Corretajes SA.
- Inmobiliaria Texoro SA.
- DAFICO SA.
- Inmobiliaria Inti SA.
- Inmobiliaria Bravo SA.
- Urbanizadora Santa Marina SA.
- Inmobiliaria y Administradora Perel SA.
- Urbanizadora Jardin SA.
- Urbanizadora El Pacifico SA.
- Cia Urbana Montevideo SA.
- Inversiones COSEPA SA.
- Inversiones BRECA SA.
- Edificadora Nacional SA.
- Inversiones San Borja SA.
- Inmobiliaria Las Americas SA,
- Peruvian Industries and Realty SRL.
- Negociacion Lux SA.
- Cia Inmobiliaria La Union SA.
- Cemento Norte Pacasmayo SA.

Commerce

- Soc. Anonima Mercantil de Lima
- Consorcio Distribuidor Iquitos SA,
- Consorcio Distribuidor SA.
- Servicio de Desmonte y Comercializacion SA.
- Textil Mantas SA.
- Comercial Orus SA.
- Central Textil SA.
- Empacadora del Sur SA.
- Negociacion Amazonica SA.
- Comercial Reiser y Curioni SA.
- Scala SA.
- Comercial El Angolo SA.
- Importadora Ferretera SA.
- Calixto Mostert SA.
- Promociones La Molina SA,
- Proveedora Andina SA.
- Promociones San Felipe SA.
- Promociones Pardo SA.
- Promociones Saenz Pena SA.
- Distribuidora La Union SA.
- Promociones Benavides SA.

- La Comercial Importadora SA.
- Promociones Camino Real SA.
- F.N. Jones y Cia Sa.
- Consorcio de Exportadores Asociados SA.
- Cristal Chincha SA.
- Cristal Huanuco SA.
- Textiles Generales SA.
- Lima Real SA.
- Distribuidora Cristal Huanuco SA.
- Interamericana de Comercio SA.
- Distribuidores Motores Reductores SA.
- Distribuidora Central SA.
- MACALL SA.
- Interandina SA.

Tourism

- Inversiones Nacionales de Turismo SA.
- Hotel SA.
- Paracas Tours SA.

Transport

- Hormec Transportes SA.
- Transportes 77 SA.
- Naviera Santa Sofia SCRL.
- Transportes Cavour SA.
- Aerotransportes SA.

Storage

- Agencia Ransa SA.
- Cia Almacenera SA.
- Agencia Ransa Pisco SA.
- Almacenes Economicos SA.
- Servicio de Reprensaje SA.
- Consorcio de Depositos SA.
- Recuperos y Salvamentos SA.
- Almacenes y Ventas SA.
- Ransa Comercial SA.

Banking and Finance

- Banco de Credito del Peru
- Financiera de Credito del Peru
- Inversiones Mineras Andinas SA.
- Inversiones Camir Sa.
- Cia de Inversiones Comerciales
- Servicios Tecnicos Textiles SA.
- ODRASIR SA.
- Inversiones Arenales SA.
- Servicio de Inversiones
- Fenper SA.
- Inversiones Shapaja SA.
- Valores Mobiliarios SA.

- AFICAMOSA
- ASBE SA.

Insurance

- El Pacifico Compania de Seguros y Reaseguros
- Cia Internacional de Seguros
- Peruano-Suiza Cia de Seguros y Reaseguros
- Cia de Seguros Condor SA.
- Cia de Seguros La Fenix
- INTI Asesores y Corredores de Seguros SA.
- Cia de Seguros Rimac

Diverse Services

- Polysistemas SA.
- Promocion de Desarrollo Industrial SA.
- Servicios de Computos SA.
- Metodos y Sistemas SA.
- Quipudata SA.
- Frigorifico Ransa SA.
- Publicidad Lowder SA.
- Estudio Fort, Bertorini, Ibarra, Godoy Sarmiento
- Llona, Bustamante, Doehler y Asociados
- Consultores de Empresas e Inversiones SA.
- Sumindustria SA
- CECEPSA

APPENDIX G

ENTERPRISES OF THE BANCO DE WIESE GROUP

Mining

- Corporacion Minera Castrovirreyna SA.
- Sindicato Minero Pacocha SA.
- Cia Minera Atacocha SA,
- Volcan Cia Minera SA.
- Cia Minera Algamarca SA.
- Cia Minera Castrovirreyna SA.
- Cia Minera Alianza Sa.
- Minera Magistral SRL.
- PERUBAR SA.
- Sociedad Minera Yauli Ltd. SA.
- Minera Salpo Sa.

Agro-Industry

- Gloria SA.
- Del Mar SA.
- Conservas Compass SA.
- Cia Oleaginosa del Peru SA.
- Fabrica de Aceites San Jacinto SA,

Beer and other Beverages

- Bodega Vista Alegre SA.
- Jugos del Norte SA.
- Cerveceria del Norte SA.

Textile

- Fabrica de Tejidos San Cristobal SA.
- Tecnicolor SA.
- Fabrica de TEjidos La Union Ltd. SA,
- Industrias Tarapoto SA.
- Funcional SA.
- Bordados Modernos SA.
- Union Bond SA.
- Cia de Industrias Nacionales Sa.
- CINSA
- Hilos Cadena Llave SA.

Paper

- Sociedad Paramonga Ltd.

Leather

- Tenera Union Cia SA.

Chemical-Pharmaceutic

- Cia Peruana de Pinturas SA.
- Laboratorios Berco SA.
- Uniquimica SA.

- Fosforera Peruana SA.
- Industrias Detergentes SA.
- Intipharm SA.
- Explosivos SA.

Plastic

- Industrias Cacer SA.

Glasses

- Cia Manufacturera de Vidrio del Peru Ltd SA.
- Vidrios Planos del Peru SA.
- VIPSA
- Ceramicas y Mosaicos

Electrical Machineries

- Ferrum Peru SA.
- Cia Auxiliar de la Industria Automotriz SA.

Energy

- Consorcio Energetico de Huancavelica SA.

Construction and Real State

- Constructora Marielba SA,
- Inmobiliaria Los Portales SA.
- Negocios e Inmuebles SA.
- Inversiones Angela SA.
- Sindicato Wiese SA.
- Inversiones Sol de La Molina SA.
- Inmobiliaria Camino Real SA.
- Inmobiliaria Texoro SA.
- DAFICO SA.
- Sociedad Peruana Comercial SAa.

Commerce

- A y F Wiese SA.
- Scala SA.
- Wiese Representaciones SA.
- Importadora Ferretera SA.
- Pabellon Limatambo SA.
- Negociacion Amazonica SA.
- G. Berckemeyer Co. SA.
- Consorcio de Exportadores Asociados SA.
- Promociones Benavides SA,
- Promociones Camino Real SA,
- Promociones San Felipe SA.
- Promociones Pardo SA.
- Central Textil SA.
- Promociones La Molina SA,
- Soc. Anonima Mercantil de Lima
- Promociones Saenz Pena SA.
- Textiles Mantas SA.

- Distribuidora Central SA.
- Textiles Generales SA.
- BASF Peruana SA.
- Orbis Trading SA.
- Interandina SA.

Tourism

- Inversiones Nacionales de Turismo SA.

Transport

- Multimares Cia Naviera SA.

Storage

- Agencia Maritima Pisco SA.
- Depositos SA.
- Guillermo Wiese Ltd. SA.
- Agencia de Aduanas Costamar SA.

Banking and Finance

- Banco Wiese Ltd.
- Inversiones MINERAS Andinas SA.
- Sogewiese Leasing SA.
- Inversiones Ucayali SA.
- Inversiones Shapaja SA.
- Inversiones Arenales SA.
- Servicios Tecnicos Textiles SA.

Insurance

- Cia de Seguros Condor SA.
- Sudamericana Terrestre y Maritima
- Cia de Seguros Rimac SA.
- Cia Internacional de Seguros

Communications

- Radio Studio 92

Diverse Services

- Fundacion A. Wiese
- Polysistemas SA.
- Publicidad Lowder SA.

APPENDIX H

ENTERPRISES OF THE BANCO DE LIMA GROUP

Mining

- Cia de Minas Buenaventura SA.
- Cia Minera Atacocha SA.
- Cia Minera Toachi SA.
- Cia Minera Alianza SA.
- Cia de Minas Recuperada SA.
- Minas del Sur SA.
- Cia Minera Condesa SA.
- Cia Minera Colquirrumi SA.
- Cia de Minas Orcopampa SA.
- Cia Minera Caudalosa SA.
- Sociedad Minera El Brocal SA.
- Concentradora de Minerales Huachocolpa SA.
- Cia de Minas San Ignacio de Morococha SA.
- Industrias del Cobre SA.

Agro-Industry

- Industria Agricola Maria
- Alimentos Protina SA,
- Angola Sa.
- Gloria SA.
- Conservas Compass SA.
- Fabrica de Aceites San Ignacio SA,
- NUTRINAL

Beer and other Beverages

- Negociacion Industrial
- Cia Nacional de Cerveza SA.
- Vitivinicola Tacama SA.
- Cerveceria Backus & Johnston SA..
- Sociedad Cervecera de Trujillo SA.
- Cerveceria San Juan SA.
- Cerveceria del Centro SA.
- Cerveceria del Norte SA.
- Jugos del Norte SA,
- Malteria Lima SA.

Textile

- Fabrica de Tejidos La Union Ltd. SA,
- Tecnicolor SA,
- Funcional Sa.
- Industria Tarapoto SA.
- Bordados Modernos SA,
- Textiles Generales SA.
- Cia Industrias Nacionales SA.
- Union Bond SA.

- Hilos Cadena Llave SA.
- Universal Textil SA.

Leather

- Tenera Union Cia SA.

Printing

- Editorial Imprenta Amaru SA.
- Editorial Rocarme SA.
- Industria Grafica Enotria SA.
- Industrias Austria SA.
- Editia Peruana SA.

Chemical-Pharmaceutic

- Cia Peruana de Pinturas SA.
- Laboratorios Cuglievan SA,
- Uniquimica SA.
- Laboratorios Berco SA,
- Industrias Fast SA,
- Intipharm SA,

Plastic

- Industrias Cacer SA.

Glasses

- Cia Manufacturera de Vidrios del Peru Ltd. SA,
- Vidrios Industriales SA.
- Vidrios Planos del Peru SA.
- Vidrios Sur Peru SA.
- Vidrios Nor Peru SA.

Energy

- Consorcio Energetico de Huancavelica SA.

Construction and Real State

- Jaime Olaechea SA. Contratistas Generales
- Inmobiliaria Bravo SA.
- Urbanizacion Jardin SA,
- Edificadora Nacional SA.
- Inversiones El Palomar SA.
- Inmobiliaria Plaza Francia SRL.
- Negociacion Luz SA.
- Inmobiliaria El Trebol SA.
- Inversiones Breca SA.
- Inmobiliaria Texoro SA.
- Urbanizacion Santa Marina SA.
- Inversiones San Borja SA.
- Lotizadora La Capitana SA.

Commerce

- Soc. Anonima Mercantil de Lima

- Juan Cuglievan SMA.
- Scala SA.
- Tiendas Cuglievan SA.
- Importadora Ferretera SA.
- Drogueria Cuglievan Piura SA.
- Negociacion Amazonica SA.
- Drogueria Cuglievan Trujillo SA.
- Consorcio de Exportadores Asociados SA.
- Drogueria Cuglievan Barranca SA.
- Central Textil SA.
- Drogueria Cuglievan Chiclayo SA.
- Interandina SA,
- Ferreteria Cuglievan SA.
- Textiles Mantas SA.
- Pasteleria Chiclayo SA.
- Promociones Saenz Pena SA.
- Carniceria Lambayeque SA.
- Prmociones Camino Real SA.
- Promociones La Molina SA.
- Promociones San Felipe SA.
- Promociones Pardo SA.
- Promociones Benavides SA.
- La Casa del Libro SA.
- Luis Berckemeyer SA.
- Libreria Studium SA.
- Cristal Huanuco SA.
- Credito Editorial AYZA SA.
- Cristal Chinchu SA.
- Distribuidora Cefran SA.
- G. Berckemeyer y Cia SA.
- DIKOSA SA.
- Comercial Saenz Pena SA.
- La Economia SA.
- Distribuidora Cristal Huanuco SA.
- Distribuidora Central SA.

Tourism

- Inversiones Nacionales de Turismo SA.
- Promociones y Exhibiciones Culturales y Turisticas SA.
- ASTRAL SA.

Transport

- Transporte 77 SA.

Storage

- Agencia Maritima Callao SA.
- Cia Peruana de Embalaje SA.
- Almacenera San Juan SA.

Banking and Finance

- Banco de Lima

- Inversiones Camir SA.
- Inversiones Mineras Andinas SA.
- Inversiones Colquijirca SA.
- Cia de Inversiones Comerciales
- Servicio Tecnicos Textiles
- ODRACIR SA.
- Valores SA.
- Servicio e Inversiones Montejato SA.
- Inversiones Mobiliarias SA,
- Inversiones Benavides 777 SCRL.
- Inversiones Mineras del Sur
- Lima Leasing SA.
- Inversiones Arenales SA.
- ASBE SA.
- AFICAMOSA

Insurance

- Cia de Seguros Rimac
- Sudamerica Terrestre y Maritima Cia de Seguros
- Cia Internacional de Seguros
- Cia de Seguros Atlas
- La Vitalicia Cia de Seguros

Diverse Services

- Buenventura Ingenieros SA.
- Asesoramiento Tecnico SA.
- Semindustrias SA.
- Clinica Internacional SA.
- Reconstrucciones Geris SA.
- Publicidad Lowder SA.
- Polysistemas SA.
- ERMAR SA.
- Quipudata SA.
- Valores Mobiliarios SA.
- Automotores SA.

APPENDIX I

ENTERPRISES OF THE BANCO MERCANTIL GROUP

Mining

- Cia Minera Colquirrumi SA.
- Cia minera Caridad SA.
- Cia Minera Lima SA.

Agro-Industry

- Ocean Products Fishing Co. SA.
- Cia Agricola Comercial Industrial SA.
- Oleoficio Lima SA.
- AgroIndustria San Andres SA.
- Molitalia SA.
- Conservas Compass SA.
- Pesquera El Pilar SA.

Beer and other Beverages

- Negociacion Industrial Vitivinicola Tacama SA.
- Cia Nacional de Cerveza SA.
- Sociedad Cervecera de Trujillo SA.
- Cerveceria del Centro SA.
- Malteria Lima SA.
- J.R. Lindley e Hijos SA.
- Embotelladora Arequipa SA.
- Embotelladora La Selva SA.
- Embotelladora Piura SA.
- Embotelladora Bagua SA.
- Embotelladora Cuzco SRL.
- Embotelladora Lambayeque SA.
- Frutos del Pais SA.
- Sabores Peru SA.

Tobacco

- Tabacalera Nacional SA.
- Tabacalera del Sur SA.

Textile

- Manufactura Josfel SA.
- Hilandera y Tejeduria Pima Chiclayo SA.
- Cia Nylon Peruana SA.

Paper

- Centro Papelero SA.

Printing

- Talleres Rimac SA.

Chemical-Pharmaceutic

- Industrias Fast SA.

- Tecnoquimica SA.
- Omnia Medica SA.
- Cogra SA.
- Sintesis Quimica SA.
- Instituto Sanitas Sociedad Peruana SA.
- Farmitalia Carlos Erba SA.
- Laboratorios Magma SA.

Petroleum Products

- Industrial Petroquimica del Peru SA.
- Carbo de la Selva SA.
- Carbo Gas del Peru SA.

Rubber

- Industrias Delta SA.

Plastic

- Sacos Pisco SA.
- Plastitap SA.
- Plasto SA.
- Norsac SA.
- Plastix Peruana SA.
- Cia Peruana de Embalajes SA.

Glasses

- Vidrios Industriales SA.
- Vidrios Nor Peru SA.
- Vidrios Sur Peru SA.

Non Metallic Products

- Fabrica Peruana de Eternit SA.
- Pacasmayo Eternit SA.
- Teroper SA.
- Axo Peruana SA.

Non Electrical Equipment

- Farmia Industrial SA.
- Industria Tamet SA.
- Tecnofil SA.

Electrical Machineries

- Neon Lux SA.
- Industrias Reunidas SA.
- Industrial Rimac Luz SA.
- Fabrica de Artefactos Metalicos SA.

Construction and Real State

- Inmobiliaria Grau SA.
- Urbanizadora La Poblana SA.
- Inmobiliaria Alia SA.
- Lotizacion Industrial Molitalia SA.

- Inmobiliaria Montefertil SA.
- Inmobiliaria Montedor SA.
- Corporacion de Ingenieria Civil SA.

Commerce

- Consortio Grupal de Comercio SA.
- Sociedad Mercantil Internacional SA.
- Famia Selva SA.
- Sociedad Anonima Mercantil de Lima
- Distribuidora Rimac SA.
- Mercados Peruanos SA.
- Famia Comercial SA.
- Mercantil Electra SA.
- Distribuidora y Ventas Chiclayo SA.
- Eternit Comercial SA.
- Quimica Eximport SA.
- Degremont del Peru SA.
- Mercados Angelica SA.
- Soc. Anonima Comercial e Industrial Fausto G. Piaggio

Transport

- Transportes Ciccia Tigani SA.
- Terminales Peruanos SA.
- Transportes Distribuidora SA.
- Transportes Cerveza SA.

Storage

- Distral SA.

Banking and Finance

- Banco Mercantil del Peru SA.
- Cia Administradora de Valores SA.
- Inversiones Regionales SA.
- Inversiones Mercurio SA.
- El Alcazar SA.
- Peruvian Investment Development SA.
- Cia Internacional de Inversiones SA.
- Comercial Saenz Pena SA.

Insurance

- El Sol Cia de Seguros Generales
- Cia Italo Peruana de Seguros Generales
- La Real Cia de Seguros

Communication

- Radio San Miguel de Piura SA
- Latinandina SA.

Diverse Services

- Asesores Tecnicos Gerenciales SA.
- Asesores Comerciales Peruanos SA.

- Novografica SA.
- Muriglass SA.
- Relaciones Industriales y Servicios SA.
- Informa SA.
- Properu Publicidad SA.
- Frigorifico San Martin de Porres SRL.
- Supervisores Peruanos SA.
- Griselass SA.

APPENDIX J

ENTERPRISES OF THE BANCO LATINO
DE FOMENTO DE LA CONSTRUCCION GROUP

Cattle

- Sociedad Ganadera del Sur SA.

Mining

- Sindicato Minero Pacococha SA.
- Cia Minera Castrovirreyna SA.

Petroleum

- Grana y Montero SA. Petrolera

Textile

- Michel y Cia SA.
- Alpalana SA.
- Mistilana SA.

Chemical-Pharmaceutic

- Abrasivos Industriales SA.

Steel

- Aceros Especiales SA.

Automotors

- Inca Motors SA.
- Fabrica de Bicicletas SA.

Construction

- Grana y Montero SA.
- Grana y Montero SA. Ingenieria
- Gramonselva SA.

Commerce

- E.W. Gibson Ltda. SA.
- Distribuidora Santa Isabel SA.

Storage

- E.W. Gibson y Diaz Ilo SA.

Banking and Finance

- Banco Latino de Fomento de la Construcccion
- Inversiones Salmi SA.
- Inversiones Tempera SA.
- Inversiones Latinas SA.

Insurance

- La Vitalicia Cia de Seguros

- Cia de Seguros y Credito a la Exportacion SA.
- Cia de Seguros La Fenix Peruana

Diverse Services

- Grana y Montero Informatica SA.
- Montajes SA.
- Servicios Maritimos y Representaciones Ilo SA.
- Servin SA.
- Sopen SA.

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