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NEWMONT IN PERU

It could be anything from A to Z. It could be a business question, it could be a U.S. citizen problem. He became the go-to guy for getting things done in the Peruvian government.
— Ted Piccone, of the U.S. National Security Council, on Vladimiro Montesinos, Peru's spymaster¹

NEWMONT AND PERU

Founded in 1921 and traded on the New York Stock Exchange since 1925, Newmont Mining Corporation grew from its base in Colorado to operate in all five continents. Its main activities were the exploration, production, and sale of gold; it also produced some copper and zinc. (See Exhibit 1 for data on Newmont and Exhibits 2 and 3 for data on the global gold market.)

Newmont billed itself as a “premier gold company.” Its motto was “creating value with every ounce.” As of 1998, with a market capitalization of US\$3.3 billion, it was one of the world’s largest gold producers.² (Later, upon acquiring control of Canada’s Franco-Nevada Mining Corporation and Australia’s Normandy Mining Ltd. in early 2002, it was to become the largest.)

“Behaving with integrity, working loyally, inspiring trust, telling the truth, caring for our colleagues, and cooperating with our community” were Newmont’s corporate values, its web site proclaimed. Mindful of its social responsibilities, it sought “to positively impact communities by providing jobs and training opportunities, enhancing health and education in local communities and improving local infrastructure.” Community involvement meant “working in conjunction with communities to create acceptable processes for managing conflicts and making decisions.”³

One of Newmont’s main operations was in Peru. It was part-owner of Yanacocha, the richest gold mine in Latin America and one of the biggest in the world. Located high in the Andes,

¹ Thomas Catán, “The Sins of Montesinos,” *Financial Times*, July 25, 2003.

² Warburg Dillon Read, *Global Mining Analyser: Focus on Latin America*, December 1998, p.48

³ Quotes from Newmont’s web sites, <http://www.newmont.com/en/> and <http://www.yanacocha.com.pe/ing/index.htm> (August 1, 2003).

Professor John McMillan and Pablo Zoido prepared this case with assistance from Margot Sutherland as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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generating about 2 million ounces of gold per year and with reserves of over 40 million ounces, Yanacocha was seen by Newmont as its “crown jewel.”⁴ Gold was Peru’s largest export item, accounting for 16 percent of the country’s overseas earnings in 1998.⁵ Thus Newmont was vital to Peru and, reciprocally, Peru was vital to Newmont.

In the 1990s, Peru was a country in turmoil.⁶ (See Exhibit 4 for a map and Exhibit 5 for some basic economic data.) An insurgency driven by the Shining Path, a murderous band of Maoist guerrillas, had brought 69,000 deaths.⁷ Drained by the predations of the Shining Path, as well as by decades of economic mismanagement, in 1990 the people had elected as president a political novice, Alberto Fujimori. Soon after his election, Fujimori claimed two major successes. The Shining Path leader, Abimael Guzmán, was captured, ending the insurrection. And economic growth picked up: whereas in 1981-90 annual growth had averaged –1.2 percent, in 1991-98 it averaged 4.7 percent.⁸ However, the Fujimori government became increasingly repressive. The Peruvian novelist Mario Vargas Llosa (who had been the losing candidate for the presidency against Fujimori in 1990) noted that, despite the government’s abuses, “Fujimori was very popular. Though dirty things were going on—torture, killings and corruption—his image was of a strongman who would defend people against the terrorists.”⁹

NEWMONT AND SIN

On February 26, 1998, Lawrence T. Kurlander, a vice president of Newmont, met with Vladimiro Montesinos Torres, Peru’s intelligence chief and advisor to President Fujimori, in Montesinos’ office at the Servicio de Inteligencia Nacional (SIN, the national intelligence service). Also present were an unidentified Peruvian who was somehow linked to the judiciary and, acting as translator, Grace Riggs Brousseau, who was Montesinos’ ex-lover.

Newmont was being sued by a French company, Bureau de Recherches Geologiques et Minieres (BRGM), in a quarrel over their shared ownership of the Yanacocha goldmine. BRGM wanted to sell part of its 25 percent share in Yanacocha to Normandy Ltd., an Australian mining company. Newmont sued to block the sale and to gain control of the mine for itself. The dispute made its way to the Supreme Court of Peru.

Kurlander went to Montesinos seeking his help in getting a resolution favorable to Newmont. Montesinos secretly taped their conversation. (It was Montesinos’ habit so to record all of his negotiations.)

⁴ Information from Newmont’s web site: Newmont Corp., “Minera yanacocha, Peru,” <http://www.newmont.com/en/ourbusiness/operations/sthamerica/yanacocha/index.asp>, (August 1, 2003).

⁵ See Exhibit 5.

⁶ An excellent account of Peru in the 1990s is Cynthia McClintock and Fabian Vallas, *The United States and Peru: Cooperation at a Cost*, New York: Routledge, 2003, and for a longer perspective see Peter Flindell Flarén, *Peru: Society and Nationhood in the Andes*, New York: Oxford University Press, 2000.

⁷ The 69,000 estimate is from the 2003 report of the government-appointed Truth and Reconciliation Commission (Juan Forero, “Peru Report Says 69,000 Died in 20 Years of Rebel War,” *New York Times*, August 29, 2003, p. A3). Earlier reports had put the death toll at 30,000: see Flarén, op. cit., p. 407.

⁸ McClintock and Vallas, op. cit., p. 100.

⁹ Maya Jaggi, “Fiction and Hyper-Reality,” *Guardian*, March 16, 2002.

Kurlander told Montesinos that he had worked in the New York police force, and through this work had made friends with certain people in the Central Intelligence Agency (CIA) and the National Security Council (NSC). He had also established relations, he said, with “the powerful Jewish community.” Kurlander offered to use his connections to get the U.S. government to intervene on the Fujimori government’s behalf over the television station Frecuencia Latina. (Fujimori had shut down the television station because of its antigovernment reporting; the station’s owner, Israeli businessman Baruch Ivcher Bronstein, had fled to the United States and was lobbying for help from Washington.) In exchange, Kurlander asked for Montesinos’ help in getting the Supreme Court votes that would solve Newmont’s judicial problem with BRGM.

“Tell him I’m going to help him with the voting,” Montesinos said to the translator. “Tell him that I am going to help with the vote. . . Just as he is helping me, I am going to help him. Love is repaid with love.” Kurlander replied, “I hope so.”

The tape includes the following droll interaction:

Kurlander: It’s very good! I want a friend for life!
Montesinos: That’s right. I really appreciate everything you have told me and, well, you already have a friend now.
Kurlander: If you help me and you are useful I will try to be useful to you as well. I will be back.
Montesinos: How long are you going to be here?
Kurlander: How long do you think it will take until they have a verdict?
Riggs: Until the final vote.
Montesinos: I am going to help you with the votes.
Kurlander: That is what I hope. You know that trip.
Montesinos: They have been three and three and Elcira Vásquez [one of the Supreme Court judges] voted but they are still waiting. I can do a thing or two to put some pressure on them. I would like to know about the bad tactics of the French.
Kurlander: Oh!
Montesinos: The French connection!
Kurlander: The French connection, that’s it!. [laughter]¹⁰

THE U.S. GOVERNMENT MEETS MONTESINOS

The U.S. Assistant Secretary of State for Latin America, Peter Romero, also asked Montesinos to intervene on Newmont’s behalf. Interviewed later, Romero recalled their conversation. “We talked. I did say it was important to the U.S. government . . . that there was no coercion, intimidation, inducements, threats, or whatever brought to this case. We wanted to ensure there was a level playing field in the litigation, and that is all we can do.” Romero said that Newmont had “feared the judges might succumb to pressure or coercion to alter their decisions.”¹¹

¹⁰ This interchange is translated from the Spanish, available as “Newmont negoció con Montesinos” at <http://helios.unive.it/~sattin/2002-29.htm> (August 1, 2003).

¹¹ Heather Draper and John Accola, “Newmont’s Credibility Untarnished,” *Rocky Mountain News*, June 8, 2002, p. 1C.

A videotape from April 14, 1998 shows Montesinos meeting with two unidentified men, apparently U.S. officials. Montesinos told the Americans to keep Peter Romero updated on everything. He said that BGRM had spent US\$7 million in lobbying and that it had the French government behind it, and that he, Montesinos, was trying to prevent the French company from bribing the judges and winning the trial unfairly. All he wanted, he proclaimed, was that the trial be fair. He said that he was keeping Fujimori informed. Montesinos ended by saying that he was not tapping any phones but that if necessary he would.¹²

(Later, after he retired from government service, Romero was hired by Newmont as a consultant. “After working for 25 years for the government, not making a particularly good salary,” he remarked, “it’s nice to work in the private sector doing things you did in the foreign service but making a decent remuneration.”¹³)

MONTESINOS MEETS THE JUDGE

A videotape from May 19, 1998, three months after Newmont’s approach, shows Montesinos with a Supreme Court judge, Jaime Beltrán Quiroga. Montesinos told Beltrán that it was imperative that he vote in favor of Newmont, because a ruling for the American company would benefit Peru’s national interest. The Peruvian government wanted the case solved quickly, Montesinos said, because they were trying to sign a peace accord with Ecuador and wanted the U.S. government’s support. It was “no longer a judicial matter, but one of national security.”

Beltrán asked why the U.S. government was interested in the case. Newmont, Montesinos replied, “is not a company that the American government can say it has no interest in . . . this is a company that lobbies, pressures the Clinton administration.” Beltrán asked if the American Embassy was involved. “Of course,” Montesinos replied, but “the situation has reached another level. It was not the ambassador, but the undersecretary for Latin America who spoke directly with the president by order of the secretary of state. This has become a matter of state.”

“My dear Jaime, solve this problem,” Montesinos concluded. “Today is Tuesday, Friday we will talk again. Just follow the directions, this is a very sensitive issue. You do not need a greater reason to act.” To reinforce the point, he said that the ex-president of the Supreme Court, Víctor Raul Castillo, and the Supreme Court justice Luis Serpa Segura “agree with me that the position must be one that defends our national interests.” He promised Beltrán that after his ruling in the Yanacocha case he would be promoted: “I will arrange your transfer to the Chamber of Constitutional Law in 10 or 15 days . . . don’t worry, I’ll move you.”¹⁴

A few days later, the Supreme Court ruled for Newmont in a four-to-three vote, with Beltrán casting the deciding vote. BGRM was required to sell its stake in the Yanacocha mine to

¹² The full transcript of this discussion, in Spanish, is at: <http://www.elcomerciope.com.pe/EcEspe/html/montesinos/video876.html>, (August 1, 2003).

¹³ Draper and Accola, op cit.

¹⁴ These quotes from Beltrán and Montesinos come from *Gestion* (Lima), “Montesinos Pressured for the ‘Yanacocha’ Case to Be Solved in Favor of American Mining Company Newmont,” January 25, 2001; English translation at http://www.ems.org/banks/yanacocha_gestion.pdf (August 1, 2003). The full transcript, in Spanish, is at: http://www.elcomerciope.com.pe/ecespe/html/montesinos/videograma_beltran.html, (August 1, 2003).

Newmont. The court set a price of US\$109 million for the stake, though the French company argued it was worth US\$560 million.¹⁵

THE WAGES OF SIN?

To summarize: the multinational corporation asked the spymaster to intervene in a case before the Supreme Court; the U.S. government backed up the corporation's request; the spymaster leaned on one of the judges to vote for the corporation; the judge complied and the corporation won. Beyond this, our knowledge is less certain. Is that the whole of the story? It has been alleged that more than mere political pressure was involved, and that bribes were paid.

In a 2001 investigation by the Peruvian Congress into Montesinos' activities, the number-two analyst at SIN, Rafael Merino Bartet, showed the Congress what he said was an internal SIN memo saying that, for intervening on Newmont's behalf, Montesinos received US\$4 million.¹⁶

The US\$4 million figure also cropped up in a suit filed in U.S. federal court in 2002 against Newmont. A French businessman, Patrick Maugein, alleged that an employee of Buenaventura Ingenieros, Newmont's Peruvian partner, gave Montesinos a suitcase filled with US\$4 million in cash. A Newmont spokesman said the suit was "entirely without merit."¹⁷

In 2002, a special prosecutor in Peru, Ronald Gamarra, showed the Peruvian press a copy of a bank transfer of a total of US\$930,000 from Buenaventura into the accounts of eight Peruvian judges. The matter was dropped after the bank in question, Banco de Crédito, said the document was forged. "We hereby confirm that the account . . . mentioned in the newspaper never belonged to Buenaventura Ingenieros S.A., since there has never existed an account with this number in our bank." It was, the bank said, a "gross frame-up."¹⁸

In a videotape dating back to June 22, 1999, however, Montesinos is seen discussing Buenaventura with the principal shareholder of Banco de Crédito. They also talked about checks that were to be paid to five different people. It appears that the banker thought there was an error, which he wanted to discuss with Montesinos. It is not clear in the video whether the reference to Buenaventura had to do with these checks or not. The banker mentioned he had used his influence to help two unnamed clients of Buenaventura. This video is inconclusive—there are many holes in the dialogue, and it is unclear what much of the conversation refers to—but it gives further hints of the reach of the network that Montesinos was managing.¹⁹

¹⁵ Greg Griffin, "Newmont Peru Expansion Is a Golden Opportunity," *Denver Post*, October 21, 2000, p. C1.

¹⁶ This is reported by Caretas, "La Hoguera del 'Brujo'," October 25, 2001, <http://www.caretas.com.pe/2001/1693/articulos/montesinos.phtml> (August 5, 2003), and by Agencia Peru, "La casita del dirimente Beltrán", January 26, 2001, <http://www.agenciaperu.com/bocafloja/2001/ene/beltran.htm> (August 5, 2003).

¹⁷ Tom McGhee, "Peruvians Seek Denver Hearing in Newmont Suit," *Denver Post*, June 6, 2003, p. C1; John Accola, "Suit: Denver Firm Bribed Peru Official," *Scripps Howard News Service*, February 5, 2002.

¹⁸ Heather Draper, "Newmont Bribery Charge Resurfaces," *Rocky Mountain News*, September 7, 2002, p. 6C.

¹⁹ Available at <http://www.elcomerciooperu.com.pe/EcEspe/html/montesinos/video1583-1585.html>, (August 1, 2003).

Newmont denied being involved in corruption. Newmont CEO Wayne Murdy said, “We’re satisfied that Newmont did not do anything improper in connection with that litigation.”²⁰ In November 2003, Newmont revealed that the U.S. Department of Justice was investigating allegations that it had paid bribes to win control of the Yanacocha mine.²¹

THE SINNERS

Newmont’s encounter with Montesinos was far from being an isolated case. Rather, it was typical of how business was done in 1990s Peru.

The Montesinos videotapes later became public, after the Fujimori government fell and Fujimori and Montesinos fled the country. Everyone was astonished by the extent of Montesinos’ grasp. Over 1,300 Peruvians were revealed by the videotapes to have been in his network. Politicians, bureaucrats, judges, news-media executives, and businesspeople had traipsed to Montesinos’ office in SIN to be cajoled, bribed, or bullied into doing his will.

For example, the videotapes showed Montesinos:

- asking the director of Peru’s second-largest bank, Banco Wiese Sudameris, to refinance debts owed by certain media companies friendly to the Fujimori government;²²
- offering opposition politician Alberto Kouri US\$15,000 per month to change sides and support President Fujimori;²³
- bribing Ernesto Gamarra, a member of a congressional committee investigating Montesinos’ sources of money, to direct the investigation away from Montesinos;²⁴
- paying former Attorney General Blanca Nelida Colan US\$10,000 a month to cover up certain crimes;²⁵
- assuring the owner of Lucchetti, a Chilean pasta company, of a favorable judgment in a legal dispute over the construction of a factory.²⁶

Exhibit 6 depicts the Montesinos web: the interconnections among 230 of the dealings, as revealed by a sample of the videotapes.

Drug trafficking and arms running were among Montesinos’ other activities. He kept his profits in overseas banks. (In 2002, Peruvian investigators traced and recovered US\$140 million.²⁷)

²⁰ Stephanie Boyd, “Lies and Videotape,” *New Internationalist*, July 2003, p. 21.

²¹ *Law Week Colorado*, “Newmont Cooperates in Bribery Probe,” November 4, 2003,

<http://www.lawweekcolorado.com/index.cfm/fuseAction/Archive.DisplayCategory/year/2003/week/45.html>

²² Clifford Krauss, “In Peru’s Burgeoning Corruption Scandal, Everything’s Right There on Videotapes,” *New York Times*, February 5, 2001, p. A1.

²³ Isabel Hilton, “The Government Is Missing,” *New Yorker*, March 5, 2001, p. 58.

²⁴ *Ibid.*, p. 58.

²⁵ *St. Louis Post-Dispatch*, “Ex-Peruvian Official Gets Prison in Corruption Case,” January 26, 2003, p. A17.

²⁶ Eduardo Orozco, “Chile Execs Face Corruption Appeal,” *Reuters News*, August 6, 2001.

SIN AND THE CIA

Montesinos manipulated President Fujimori, whom he boasted to a friend was “completely malleable: he does nothing at all without my knowing it.”²⁸ Montesinos was “ruthless and sinister,” according to the *Financial Times*, “but also a somewhat absurd character whose homes were found to contain false bathtubs leading to underground tunnels, cameras hidden in speakers, diamond-studded Rolex watches and 1,200 of his trademark Christian Dior shirts.”²⁹ Montesinos could have been the leading character in a Graham Greene novel. For the CIA, he was our man in Lima.

The CIA regarded him as “a valuable and cooperative U.S. ally.”³⁰ They used to call him “the doctor,” according to the *Washington Post*:

Montesinos, it seemed, had his hand in everything. When a commercial deal involving a U.S. company ran into problems, a call to the doctor—sometimes directly from Washington—could resolve it. When the Peruvian air force and army got into a jurisdictional dispute and held up a counter-narcotics operation, or if the budget for air interdiction of drug flights was in danger of being cut, Montesinos could fix it.³¹

In 1998, the Lima CIA station chief sent him a letter praising his “leadership, dedication, and professionalism.”³² According to the Center for Public Integrity, a U.S. group of investigative journalists, the CIA paid Montesinos \$1 million a year from 1990 to 2000.³³

The Fujimori government’s activities did not go unnoticed in Washington, however. A report on human rights issued by the State Department in 1999 said its “human rights record was poor in several areas.” The report documented that “the security forces were responsible for several extrajudicial killings and one disappearance.” It noted also that “the general inefficiency of the judicial system persisted, and it remained subject to executive influence,” that “the government inhibits freedom of speech and of the press,” and that “questions remain about the openness and fairness of the electoral process.”³⁴

As the evidence of Montesinos’ human rights abuses mounted, the CIA’s connection with him came to be questioned. Ted Piccone, a former NSC official, saw it as “a classic dilemma

²⁷ Tim Johnson, “Peruvian Leaders Took Their Millions and Ran,” *Charleston Gazette*, September 15, 2002.

²⁸ Sally Bowen and Jane Holligan, *The Imperfect Spy: The Many Lives of Vladimiro Montesinos*, Lima, Ediciones Peisa, 2003, p. 127.

²⁹ Catyn, op. cit.

³⁰ Karen DeYoung, “‘The Doctor’ Divided U.S. Officials,” *Washington Post*, September 22, 2000, p. A1.

³¹ DeYoung, op. cit.

³² Bowen and Holligan, op.cit., p. 198.

³³ Angel Paez, “CIA Gave at Least \$10 Million to Peru’s Ex-Spymaster Montesinos,” Center for Public Integrity, <http://www.publici.org/dtaweb/report.asp?ReportID=118&L1=10&L2=70&L3=15&L4=0&L5=0&State=&Year=2001>; Kevin G. Hall, “CIA Paid Millions to Montesinos,” *Miami Herald*, August 31, 2001.

³⁴ U.S. Department of State, “1999 Country Reports on Human Rights Practices: Peru,” February 25, 2000, http://www.state.gov/www/global/human_rights/1999_hrp_report/peru.html.

between clear, strong evidence of a tainted relationship and yet on the other hand there were U.S. national security interests that were advanced by continuing the relationship in some form.”³⁵ Montesinos was linked to tortures and murders carried out by the military as part of Peru’s antiterrorism campaign. Senators Patrick J. Leahy and Christopher J. Dodd argued in a 1996 letter to CIA director John M. Deutch that the agency should end this relationship, because of “the links of Montesinos with violations of human rights, including massacres, torture, disappearances, and his links with drug cartels in Peru, whom he served before becoming an advisor to Fujimori.”³⁶

A secret U.S. State Department document of 1996, later declassified, said:

The question of whether our relationship with Montesinos will become a liability looms before us. There is little doubt in the minds of the Peruvian press, elite, or probably, the informed citizens, that Montesinos and the SIN have an ongoing relationship with U.S. intelligence agencies. But given the superhuman qualities to deceive or influence events that Peruvians ascribe to the United States and the CIA, we always stand to be accused (as already has happened in the press) of blindly supporting Montesinos.³⁷

THE COST OF SIN?

The clandestine Montesinos videotapes give us a unique inside view of how business gets done where the rule of law is subordinated to political influence. A 2,300-year-old line of thought distinguishes between the rule of law—where written, general laws constrain politicians and bureaucrats; and the rule of man—where rulers, exercising discretionary power, react to events. In 340 BC, Aristotle argued that the rule of law is preferable to the rule of man because “a man governs for himself and comes to be a despot; but the office of a ruler is to be guardian of the Just and therefore of the Equal.”³⁸ Peru was, on the face of it, subject to the rule of law. There existed, supposedly, a free press, opposition political parties, and an independent judiciary. But in fact Montesinos had undermined the rule of law and substituted the rule of man.

“Montesinos controls the armed forces, the judicial system, the attorney general's office,” said the Peruvian political scientist Fernando Rospigliosi in 2000. “He has immense power, more than Fujimori.”³⁹

Peru’s businesspeople nevertheless approved of the government, as surveys of managers of the largest 3,500 firms showed. In March 1999, “support for the administration” was expressed by

³⁵ Catán, op. cit.

³⁶ DeYoung, op. cit., and Drugwar.com, “Covert Money, Power & Policy: SIN,” <http://www.drugwar.com/sin.shtml> (August 6, 2003).

³⁷ Catán, op. cit.

³⁸ Aristotle, *Nicomachean Ethics*, Book V, New York: Dover, 1998, p. 88.

³⁹ Monte Hayes, “Peru’s Spy Chief Growing Powerful,” Associated Press, March 27, 2000.

70 percent of the managers interviewed. By March 2000, this number had fallen but was still rather high, at 55 percent.⁴⁰

Overseas businesspeople also tended to be untroubled by Montesinos' methods. In a 1999 poll of Wall Street analysts specializing in Latin America, most viewed the Fujimori government as providing Peru with "stability" and "continuity." Asked in 1998 whether foreign investors were concerned about Peru's judicial system, Carlos Janada, an analyst at the investment bank Morgan Stanley, responded, "More about the red-tape problems, I'd say." He added, "The main concern is political stability, someone who guarantees the rules of the game. Broadly, this administration has done that so far."⁴¹

A 1999 book entitled *Peru: An Economy for the 21st Century* (published by Euromoney Books, which billed itself as "the world's leading publisher of specialist financial books") trumpeted the nation's "miraculous recovery."⁴² Unlike the rest of Latin America, Peru had "the prospect of realising more of its economic potential," the book concluded. "External factors now govern the expectations for the Peruvian market, rather than domestic political and economic crises, terrorism, corruption or lack of protection for foreign capital."

Others were alarmed, however. In 2000, Vargas Llosa, the novelist, said the Fujimori government was "destroying Peru, not just economically but morally.... People have no one left to respect, not the administration, the legislature or the institutions."⁴³

Adam Michnik, the editor of the Polish newspaper *Gazeta Wyborcza*, called it "the Montesinos virus—a newly discovered cancerous disease found most commonly in contemporary democratic states." The Fujimori government had transformed itself "from a feeble democracy into a special kind of dictatorship." (Michnik had the credentials to make this kind of judgment: he had been a pro-democracy activist during Poland's communist era.)

Montesinos—behind the constitutional facade of Fujimori—has created a police/military regime that maintains democratic illusions: pluralism, elections, and freedom of the press. The core of this regime has been Montesinos' mafia that rules from behind the scenes.... In a state ruled by an inner mafia, elections are rigged, the rules of the state of law are trampled, and the institutions of a democratic society are sentenced to death.⁴⁴

⁴⁰ Francisco Durand, "Business and the Crisis of Peruvian Democracy," *Business and Politics* 4 (3), 2002, 319-341, <http://www.bepress.com/bap>, p. 333 .

⁴¹ McClintock and Vallas, op. cit., p. 108.

⁴² Jacket text, quoted at <http://books.global-investor.com/books/11439.htm?ginPtrCode=00000&identifier=6c5678027526f01ca95e48bfc2e2f106> (September 8, 2003).

⁴³ Alberto Garcia Marrder, "Peru Crisis," *EFE News Service*, September 16, 2000.

⁴⁴ Adam Michnik, "The Montesinos Virus," keynote address, conference on "Civil Society Revisited," New School University, November 2, 2000, <http://www.newschool.edu/gf/news/michnik.htm>, (August 1, 2003).

Questions for Class Discussion

1. Who was right: the Wall Street analyst approving of the Fujimori administration because it brought political stability and guaranteed the rules of the game, or the Polish newspaper editor worried that the institutions of a democratic society were being trampled?
2. Aristotle warned against the rule of man. By reference to Fujimori's Peru, what is wrong with the rule of man? Which do you think would do a better job of generating economic growth—the rule of law or the rule of man? Why? What exactly are the causal links between the rules of the game and economic growth?
3. What do you see to be the post-Fujimori future of Peru's legal and political institutions? Will what Michnik called "the Montesinos virus" fade away as soon as Fujimori and Montesinos leave power, or will the effects of the "virus" linger?

Exhibit 1
Selected Financial and Operating Highlights for Newmont Corp.

(in \$millions, except per share)	2000	1999
Sales - gold	1,809.5	1,627.1
Sales - base metals	-	-
Royalties	-	-
Dividends, interest and other income (loss)	10.3	48.0
	1,819.7	1,675.1
Costs applicable to sales	1,065.5	981.3
Depreciation and depletion	359.5	303.8
Exploration and research	77.4	74.2
General and administrative	63.6	68.3
Interest, net of capitalized interest	94.6	77.7
Net loss to common shares	(102.3)	(102.0)
Net loss per common share, basic and diluted	(0.53)	(0.53)
Net cash provided by operating activities	567.8	451.2
Capital expenditures	(420.9)	(270.2)
Cash and cash equivalents	77.6	122.8
Goodwill	n.a.	n.a.
Total Assets	3,916.8	3,951.9
Current portion of long-term debt	80.4	23.3
Long-term debt	1,129.4	1,014.2
Total Liabilities	2,225.4	1,805.4
Stockholders' equity	1,500.1	1,570.3
Net debt to total capitalization	39%	38%

Source: Newmont Corp., "Selected Financial and Operating Highlights," January 12, 2003, www.newmont.com/en/ourbusiness/summary/financial.asp, (August 1, 2003).

Exhibit 2 The Global Gold Market: Prices

Spot gold, January 1971 - July 2003 (London pm fix, US\$/ounce)



Source: World Gold Council, "Markets and Demand," <http://www.gold.org/value/markets/>, (August 1, 2003).

Exhibit 3
Gold Production by Region
(thousand ounces)

	<u>1982</u>	<u>%</u>	<u>1998</u>	<u>%</u>
Europe	559	1.3	1,031	1.3
North America	3,594	8.2	17,053	20.8
Latin America	3,530	8.0	10,743	13.1
Asia	1,337	3.0	8,703	10.6
Africa	22,824	52.0	20,425	24.9
Oceania	1,495	3.4	10,430	12.7
Other (China, CIS, etc.)	10,578	24.1	13,593	16.6
<u>Totals</u>	<u>43,917</u>	<u>100</u>	<u>81,978</u>	<u>100</u>

Source: The Gold Institute, "World Gold Production to Remain Flat Through Next Four Years," August 18, 1999, <http://goldinstitute.org/news/pr18aug99.html>, (July 31, 2003).

Exhibit 4 Map of Peru



The Yanacocha mine is located 375 miles (603 kilometers) north of Lima.

Source: The CIA World Fact Book 1999, "Country Listing: Peru," <http://www.umsl.edu/services/govdocs/wofact99/244.htm>, (August 1, 2003).

Exhibit 5: Peru: Basic Economic Data 1990-1998

Measure	Unit	1990	1991	1992	1993	1994	1995	1996	1997	1998
GDP (% real change pa)	%	n.a.	2.168	-0.429	4.765	12.822	8.584	2.494	6.746	-0.533
Nominal GDP (US\$ at PPP)	bil USD	70.1273	76.219	76.0391	81.443	93.4839	104.4375	107.3771	113.7497	112.7685
Real GDP	bil PEN	81.9827	83.7597	83.4005	87.3746	98.5774	107.0389	109.7085	117.1096	116.4852
Real gross fixed investment	bil PEN	13.7224	13.9283	14.0601	15.6271	20.901	25.4678	24.7365	28.5186	28.1097
Real government consumption (US\$ at 1996 prices)	bil USD	4.236	4.319	4.441	4.579	4.975	5.399	5.636	6.062	6.214
Real private consumption (US\$ at 1996 prices)	bil USD	30.371	31.415	31.314	32.385	35.563	39	40.189	41.934	41.582
Gross national savings rate (%)	%	11.583	12.928	12.075	12.346	16.046	16.181	16.31	18.233	17.609
Agriculture/GDP	%	7.153	7.779	7.73	8.199	8.318	7.751	8.175	7.691	7.971
Industry/GDP	%	22.935	24.983	25.362	26.74	28.123	27.982	27.467	27.847	27.142
Services/GDP	%	69.912	67.238	66.908	65.06	63.558	64.267	64.359	64.463	64.887
Population	million	21.989	21.877	22.39	22.905	23.422	23.837	24.258	24.681	25.104
GDP per head (\$ at PPP)	USD	3189.2	3483.9	3396.2	3555.7	3991.3	4381.3	4426.5	4608.8	4492.1
Population (% change pa)	%	2.338	-0.507	2.341	2.301	2.258	1.772	1.766	1.744	1.714
Labour force	million	5.777	5.949	6.03	6.111	6.276	6.434	6.592	7.31	7.512
Recorded unemployment (%)	%	8.3	5.9	9.4	9.9	8.8	8.3	7.1	7.7	7.8
GDP per head	USD	1317.7	1579	1611.6	1520.8	1917.4	2250.1	2300.8	2391.8	2263.8
Private consumption per head	USD	971.1	1219.4	1252.4	1163.7	1387	1599.9	1656.8	1687	1612.8
Real GDP growth per head (% pa)	%	n.a.	2.688	-2.707	2.409	10.33	6.693	0.715	4.917	-2.209
Total exports (free-on-board)	mil USD	3321	3406.4	3661	3384.5	4424.9	5492.4	5877.4	6824.4	5756.8
Total imports (cost, insurance and freight basis)	mil USD	2892	3496	4051	4049	5576	7686	7894	8559	8201
Export 1 - Gold	mil USD	9.1	144.7	399.3	207.7	337.8	462.9	579.3	500.1	928.5
Export 2 - Copper	mil USD	699.7	742.1	755.9	650	823.6	1198.3	1052.2	1096.3	778.8
Export 3 - Fishmeal	mil USD	345.4	452.7	434.5	580.5	779.8	786.9	908.8	1125.9	409.9
Export 4 - Zinc	mil USD	415.9	310.3	322.4	266	303.6	325.5	400.8	539.3	445.2
Tourism receipts	mil USD	217	224.6	155.7	214.8	331.3	428.1	670	816.4	844.8
IMF credit	mil USD	0	0	0	897.4	0	0	0	220.9	0
Budget revenue (% of GDP)	%	29.555	32.054	31.86	30.777	30.596	30.393	30.056	28.734	27.314
Budget expenditure (% of GDP)	%	38.275	34.857	35.764	33.857	33.394	33.591	31.063	28.548	28.162
Public debt (% of GDP)	%	n.a.	n.a.	59.621	63.644	53.396	47.827	45.143	31.825	34.422

Legend

Actual

Black

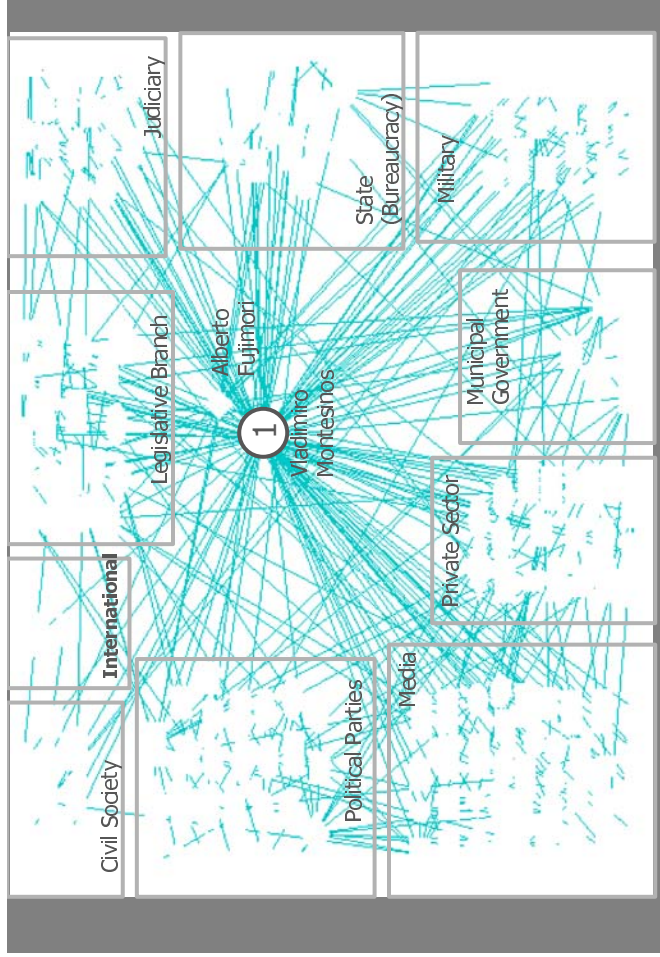
Estimate

Modified

Bold

Source: Compiled from EIU data.

Exhibit 6 The Montesinos Network



Each number represents a person. Each line represents an exchange of either a political favor or money.

Source: Luis Moreno Ocampo, "Power Networks and Institutions in Latin America," unpublished, Buenos Aires, <http://www.stanford.edu/~pzoido/Montesinos.doc>, (August 1, 2003).