

Peru busts cocaine mob, expels International Monetary Fund

by Mark Sonnenblick

The largest cocaine raid in world history capped a week of heavy reverses for Dope, Inc. delivered by the Peruvian government of President Alan García. Over 28 metric tons of semi-processed cocaine were seized and destroyed by a 24-man squad of Peruvian police during a March 24-30 blitzkrieg on the Upper Huallaga river valley on the edge of the Amazon jungle.

When fully refined, this basic cocaine paste would have become 8.8 metric tons of pure cocaine crystals, according to initial calculations by the U.S. Drug Enforcement Administration (DEA) in Lima. This coke would fetch \$30 million FOB Miami and \$880 million in gram-sized doses on Chicago's "gold coast."

While Civil Guard troops directed by Interior Vice-Minister Agustín Mantilla were wielding plastique explosives to blow up the cocaine paste, a dozen production facilities and three clandestine airports in Peru's prime production zone, the very top promoters of international drug trafficking, were suffering staggering political defeats in Lima. A three-judge panel of Peru's superior court unanimously confirmed an earlier, lower-court decision absolving Peruvian Anti-Drug Coalition (ADC) leader Luis Vásquez of slander charges, for having said that former Prime Minister Manuel Ulloa was responsible for policies that fostered the proliferation of the drug trade in Peru.

The judges' ruling paves the way for a long-overdue investigation of Ulloa's treasonous political and economic policies during his years as prime minister (1980-82) and beyond.

Those policies included total adherence to a murderous austerity program dictated by the International Monetary Fund (IMF), a program which decimated Peru's productive economy and opened the country up to takeover by the drug mob. Legislation which explicitly facilitated drug-money-laundering was encouraged under Ulloa, and he was bold enough to go on the public record discussing the potential merits of drug legalization.

'Peru completes cocaine raids, closes IMF office'

Perhaps without realizing it, UPI told the whole truth in the above headline, which it placed on a wire from Peru on April 2. President García announced that Peru was expelling the IMF representative from the office which he had occupied *inside* Peru's central reserve bank for the past two years, under a contract signed between the IMF and the Ulloa crowd during the regime of Fernando Belaunde. Twenty-five nations, including the United States, still permit the IMF to maintain economic espionage centers in their capitals.

García said, "With this decision, the country gains dignity, sovereignty, and independence. Peru is a poor but dignified country which is not subject to any kind of servitude. As a debtor country, Peru pays according to its possibilities and will reduce its payments to the IMF, because that agency has two sides, one that of a bank which lends us money, and the other that of an institution of a police nature."

He reiterated his previous refusal to permit an IMF "inspection mission" to enter the country, "because we do not accept police and vice-regal interventions."

Finance Minister Luis Alva Castro added, "Our position toward the Fund is perfectly clear and public. We do not accept its intervention to solve our debt problem; we are not going to pay its credits except within the limit of 10% of exports; and we are not going to lend our ears to its policy recommendations, which brought our country to virtual bankruptcy."

Under IMF tutelage during the past decade, Peru's living standards have been halved. And the Ulloa-Belaunde-IMF regime drained Peru's dollar reserves and left it in default to the United States, the IMF, and almost all its private creditors. Even while limiting debt service payments, the García government is paying more than Belaunde did. And it has demonstrably improved living standards of the poor and sales levels for business.

Peru's sovereign refusal to crawl to the IMF is likely to

produce a blowout at the IMF directors' meeting April 16. The IMF had given Peru an ultimatum that it pay up \$72 million in arrears to the agency by April 14 or be declared "ineligible" for further lending. The IMF cut off the García government from the beginning, but the declaration by the world's credit dictators is expected to cause the World Bank and other agencies influenced by the Reagan administration to cut off lending to Peru.

García responded to that threat during his mid-March visit to Argentina, when he asserted, "If being eligible means we have to subordinate ourselves to the dictates of an anti-national policy, we have chosen the road to being ineligible."

Peru is playing its chess game with the IMF with consummate care. It is putting the lie to a falsehood which will appear in the world press around April 15, that "Peru broke off relations with the IMF." While showing a refreshing contempt for the IMF's incompetence as an economic adviser, Peru is obeying the IMF rulebook to the letter. It is offering to make a token "good faith" payment of \$5 or \$10 million on its arrears to the IMF, according to a finance ministry spokesman.

And Peru has found that the IMF charter does not require that even the annual "inspection" of member countries be made on site. Finance Minister Alva Castro declared April 1, "We do not accept any kind of financial commissaries. The President of Peru has said that if the IMF wants information, we are going to give it, but this government, which speaks with the truth out front, is not going to let anybody cast doubt on the truth of its accounts . . . nor for anyone to rule its internal affairs."

But García's running circles around what he calls "IMF colonialism" undercuts that agency's ability to intimidate debtor nations, its police power. "It is bad enough for Peru not to pay, but it is intolerable that they are boasting about it," a leading banker commented.

Details on the biggest cocaine bust in history are incredibly sparse. None of the major U.S. East Coast Establishment media covered it the following day. The press blackout extended even to Peru, where only the government-owned *La Crónica* and one television network covered the event. One editor told *EIR*, "It is not news; such things happen every day." The first part of the argument is a cover-up, but it is true that the García government has made its war on drugs into an everyday affair.

When Peru was run by Belaunde, Ulloa, and the IMF, it provided about half of the world's cocaine, but only about one ton a year was captured in perfunctory raids required by the U.S. State Department. During the five months of last year in which García ruled, his "Operation Condor" found over seven tons and broke up the country's major cocaine-refining centers in the area where Peru borders Colombia and Brazil.

Despite scant publicity, García's war on drugs has constantly escalated. During the first three months of this year, police captured 25.5 tons of basic cocaine paste in liquid form, 730 kilos of paste in solid form, and 3.1 tons in the

Ulloa's slander charges rebuked by court decision

Manuel Ulloa first brought his charges of slander against Luis Vásquez of the Peruvian Anti-Drug Coalition in August 1985, when a nationwide ADC campaign to expose Ulloa's drug-pushing policies was undercutting Ulloa's efforts to infiltrate his own agents into the new García government. With little choice but to sue in self-defense, or flee the country in ignominy, Ulloa tried the former—only to watch the well-publicized trial of Vásquez turn into a forum of indictment against himself.

The first ruling, on Oct. 17, 1985, which absolved Vásquez of all charges, gave de facto juridical legitimacy to the public's widely held but unspoken belief that Ulloa was "the Godfather" of the Peruvian drug trade. Ulloa's appeal for a reversal of that ruling convinced no one, much less the superior court judges, who were forced to consider such pathetic arguments as Ulloa's claim that he could not be held responsible for the drug trade in Peru since it preceded his term in office!

Their verdict, delivered March 21, is revealing:

"Having seen and heard the oral testimony and the arguments of the sentence which was appealed, and having considered that the spirit of the [ADC] publications in question, clarified by the defendant's declarations, whose coherence makes them convincing, [this] is criticism of the economic policy which the plaintiff executed during his service as a public official, as a politician and as former prime minister of the post of economy and finances, and which he described as 'superliberal' [and] whose policy permitted the proliferation not only of the drug trade, but also of bingo, finance companies, [and] real estate, which are interconnected and which make up the 'illicit economies'; and since there exists freedom of expression, information, and thought through both the written and spoken word, without prior authorization, censure, or any impediment whatsoever, so long as honor and good reputation are respected; and given that it is also true that every public official is by the nature of his activities subject to the 'right of criticism,' within the limits set by the law and by morality; and since, in this case, the terms contained in the [ADC] publications which serve as the basis for the . . . suit have not transgressed said norms; and since the conduct of the defendant has not at any moment been that of *animus difamandi*. . . .

"For these reasons and under the auspices of article 2.4 and article 5 of the political constitution, we confirm the sentence under appeal . . . absolving Luis Ernesto Vásquez Medina of the charges formulated against him for the crime of defamation by means of press and of offense against Manuel Ulloa Elías and everything else contained therein."

process of being washed, narcotics police chief Col. Jorge Zarate told UPI April 2. The raids by his under-equipped and under-funded police forces destroyed 80 cocaine-decanting pits and several clandestine airstrips.

The latest part of Operation Condor III hit the core cocaine paste producing zone of Peru, the Huallaga River valley on the edge of the Amazon basin 300 miles northeast of Lima. Its well-drained slopes are ideal for coca bushes and its World Bank-built road system useful for the truck-loads of kerosene needed to turn the leaves into paste.

Carried by Peruvian air force helicopters, the strike force hit near the village of Sion, near the village of Tocache, near Uchiza and Paraiso. In the raids, they destroyed 28 tons of cocaine paste and 116 tons of coca leaves. They destroyed 12 cement-lined decanting pits, 3 airports, and 75 tons of coca bush seedlings.

Two DEA agents accompanied the raiding party. The U.S. State Department paid for the gas used by the helicopters, at \$500 per hour. Without the helicopters, effective anti-drug operations are nearly impossible, for police can hardly move in the jungle without air support. Hence, the miserly \$4 million per year in anti-drug aid provided by the United States does not go very far.

Peruvian Vice-Minister Mantilla suggested that U.S. national security could gain more from investing \$100 million into Peru's anti-drug efforts than giving the same to drug-running Nicaraguan mercenaries. While Peru is willing to take all the military steps it can afford against drugs, Mantilla believes that it will not be able to exterminate the industry until the tens of thousands of peasants who became dependent on cultivating coca bushes during the decade before García's presidency could be provided with equal economic opportunities, producing other crops.

Police-free zones raided

The Huallaga zone was considered "liberated territory" by the narco-terrorists, where not even the police dared enter during the Belaunde regime. Under the protection of laws dictated by the evil Manuel Ulloa, money-laundering flourished. Billions in dollar bills were exchanged by banks and others in the valley's villages and shipped to Lima by the plane-load for exchange into soles on the black market there. Coca is the only significant industry in the zone.

One of the inhabitants of the Upper Huallaga, nicknamed "Mosca Loca," gained reknown when he made an offer to President Belaunde to pay Peru's foreign debt if he would be allowed to work in peace.

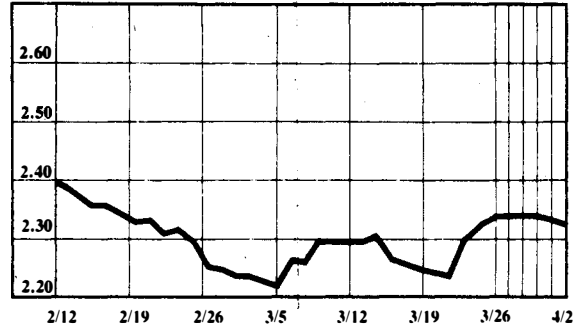
García has now damaged the cocaine-producing apparatus. The courts have shown that the top protectors of Dope, Inc., such as Ulloa, are no longer invulnerable. And a confrontation is brewing with the international bankers whose largest business is transferring narcotics revenues from one account to the next.

It may well be that the next blow against narcotics in Peru will be legislation which cripples money-laundering.

Currency Rates

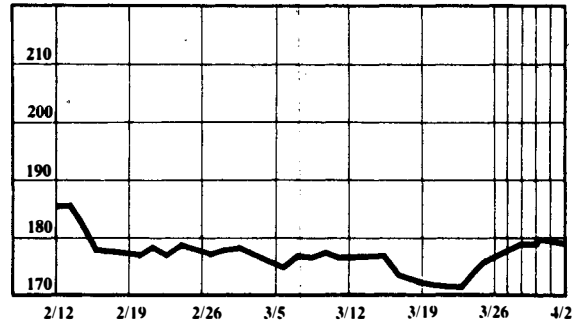
The dollar in deutschemarks

New York late afternoon fixing



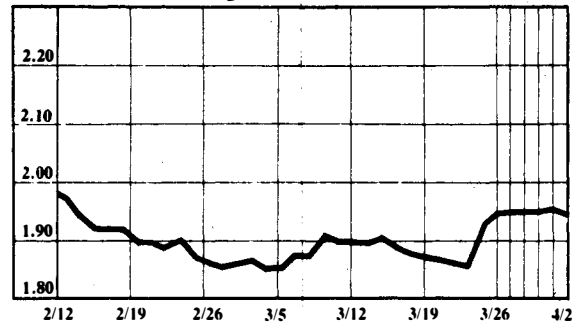
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

