

# Washington, IMF legitimize Bolivia's drug economy

by Cynthia Rush

This week the Carter administration confirmed that the Bolivian coup carried out a month ago was controlled and financed by the powerful cocaine mafia based in Bolivia's eastern capital of Santa Cruz. In the same breath, however, the administration abdicated all responsibility for attempting to halt the drug takeover, and announced instead that it had ordered the withdrawal of Drug Enforcement Agency (DEA) personnel from Bolivia.

"As long as the Bolivian government is in power, we can't get at the [drug] problem," one official was quoted as saying. The general sentiment expressed was that "nothing can be done," and that the Bolivian coup is a terrible setback for the cause of human rights.

While the events unfolding in Bolivia are indeed horrifying, no one should be fooled by the Carter administration's crocodile tears. The action taken this week reflects a decision on the part of the policymakers behind the Carter as well as any future Reagan administration—located at New York's Council on Foreign Relations—to endorse Bolivia's conversion into a full-fledged drug economy. With this decision, Bolivia's destruction as a nation is assured, and the implications for the rest of Latin America are ominous.

The Carter administration's complicity in the drug mafia's takeover in Bolivia is seen not only in its refusal to take action, but in the nod of approval it gave this week to the granting of loans to the new junta by both the International Monetary Fund and the Inter-American Development Bank (IADB). The IMF granted Bolivia the right to draw down a \$17 million loan, and the IADB forked over another \$86 million loan. Further loans are promised by the IMF, the World Bank, and private commercial banks if the junta promises to meet the stiff conditionalities established by these institutions.

These international lending agencies, together with Carter officials, have thus legitimized a government whose economic existence depends solely on the drug trade. Worse, they have given junta leader Gen. García Meza the go-ahead to continue the repression of the past month, which rivals the 1973 Chilean coup in its barbarity.

It is increasingly clear that, together with the Carter camp, the forces controlling the Reagan campaign have endorsed the shift toward dope in Latin America. In fact, the Bolivian coup is merely the first of the "Reagan coups" that can be expected in Latin America should the Republican Party candidate win this November's elections. Two facts demonstrate this.

First, the Bolivian coup, carried out with the aid of Brazil and Argentina, is in accord with the plans of Reagan's top advisers at Georgetown University to consolidate a South Atlantic Treaty Organization (SATO) between the countries of South America's Southern Cone and South Africa. Those of Reagan's advisers closely associated with Henry Kissinger, and the related drug and dirty operations coordinated by the infamous Permindex organization, view SATO as an important vehicle through which to monitor and expand the international drug trade.

Secondly, the new junta is setting up in Bolivia what faithfully follows Reagan adviser Milton Friedman's recommendations that all countries should follow the model of Hong Kong's "free market" economy—the world's most renowned drug economy. It is already the case that coca-based narcotics bring Bolivia more export earnings than traditional exports, and the guidelines established by new financial authorities are not expected to change that.

Conveniently, Bolivia's new Central Bank director Marcelo Montero is an avowed Friedmanite trained by the Chicago School boys at Chile's Catholic University. Reached yesterday at the University of Chicago, Friedman's top aide, Professor Arnold Harberger, remarked that Montero's name "has good vibes to it." The IMF's Bolivia desk officer raved about Montero's "competence."

## Bad publicity

The only thing that bothers the financial backers of the Bolivian coup is the fact that the new junta's links to the cocaine mafias have been made public.

A spokesman for Crocker Bank, one of eight involved in rolling over the more than \$200 million in

private debt owed by Bolivia in the next five months, told a reporter yesterday that "until this little [drug] scandal popped up . . . we thought the coup would hold and bring stability. . . . I hope people are mature enough to see their way through this one." The same spokesman complained that the wide publicity given the junta's drug ties had inconveniently led to a postponement of the meeting of private commercial banks to discuss renegotiation of Bolivia's debt.

### Another Chile

Ronald Reagan would most certainly have a tough time with his large conservative base in this country explaining support for an "anticommunist" Bolivian junta which plans to export larger quantities of cocaine to the United States to destroy American youth, while murdering its own population to eliminate resistance to

these policies of destroying human resources.

Gen. García Meza has stopped at nothing to fully impose a drug economy. Reliable estimates indicate that as many as 2,000 people are imprisoned, and that torture, mass murder, and "disappearances" similar to those occurring in other Southern Cone countries, are commonplace. Aside from the documented torture and repression, the economic destruction and conditionalities exacted by foreign lending agencies as guarantees for loans will take a terrible toll in human life.

According to one diplomatic source, the new cabinet and the personnel it is placing in government and civil service posts are incompetent "clowns." But, as one press source admitted, it hardly matters who occupies those posts: "The only business that is booming in Bolivia is the cocaine trade," and that doesn't take much brains.

## World Bank commends coca export revenue

*The EIR charged in September, 1978 that the World Bank and International Monetary Fund encourage drug production in the developing sector. A more recent conversation with the World Bank confirmed that evaluation for the case of Bolivia.*

*John Holdson, the senior official for Latin America in the World Bank's International Trade and Monetary Flows department, said the following on Sept. 8, 1978:*

I've just returned from Bolivia, and I know that the coca industry there is highly advantageous to producers. In fact, from their point of view, they simply couldn't find a better product. No elaborate technology is required, no hybrid seeds; the land and climate are perfect. . . .

*Kunio Kikuchi, Bolivian Desk Officer at the World Bank, gave the following interview on Aug. 15, 1980:*

**Q:** What's the situation with the cocaine charges [against the Bolivian junta]?

**A:** The entire burden of proof is on those making the charges. Let me explain to you they way it works. Most of the population, which is Indian, works and lives in the Altiplano [high plains]. They chew coca the way you or I take a cup of coffee in the morning. . . . Now the coca is grown in Chapare, near

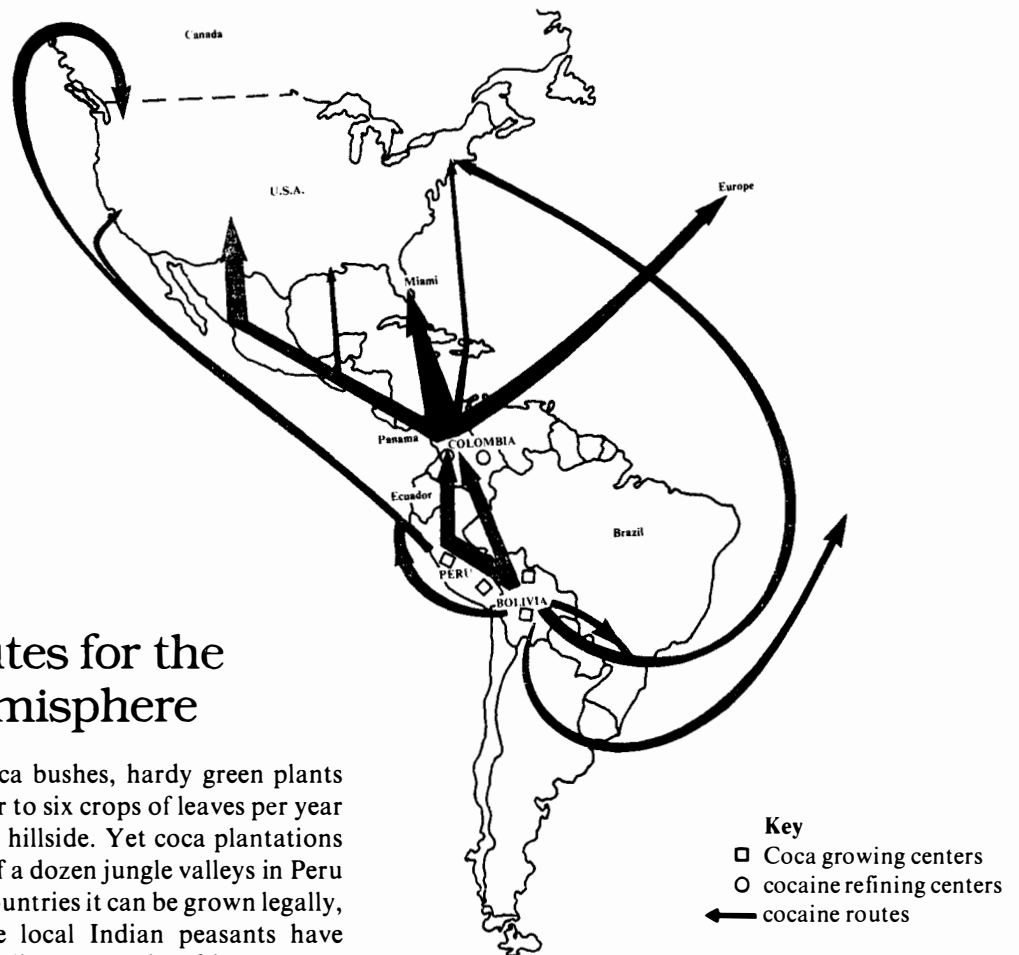
La Paz in the Yungas Valley, and to the northeast of Santa Cruz. For the last 2 to 3 years, there has been a burgeoning trade in the coca. But whether it can be dealt with at the level of Bolivia, where it's an essential element of a longstanding situation, well, I'm not sure. . . .

**Q:** Is there any chance of bringing some of the funds involved in the drug trade into the banking system, for more productive use?

**A:** You mean like Switzerland, where the money comes in and then gets lent out again—for things like World Bank bonds? Well, I don't think it could be done in Bolivia, it would seem like too much of an admission that the drug charges are true.

**Q:** So you think the current situation will hold? Another group of military officers won't be moving to throw out the García Meza group?

**A:** Don't look for the next week, the next two weeks. Look longer-term, a half-year or a year. Things will be OK then; they'll stabilize in a year. If the government were to maintain control through that period, there would be nothing to attack it for—except for the drugs. That what's so pernicious and vicious about the drug charges. It involves something which is not just right- or left-wing, but something abominable to everyone. Given the current election situation in the United States, if Reagan won, there would be no more problem about the Bolivian coup. But even Reagan would have a problem with the drug issue. . . .



## Cocaine routes for the Western hemisphere

Cocaine starts with coca bushes, hardy green plants which will produce four to six crops of leaves per year on almost any tropical hillside. Yet coca plantations are concentrated in half a dozen jungle valleys in Peru and Bolivia. In those countries it can be grown legally, since for centuries the local Indian peasants have chewed the leaves to relieve the pain of hunger, exhaustion and hopelessness.

In Bolivia, for example, 6,000 of the 25,000 acres planted with coca supplies the local chewing market. The remainder of the coca leaves are concentrated in nearby primitive "kitchens" into a damp greenish "cocaine paste" or a dry powder "base" which can be more readily transported than the bulky leaves.

Only a small proportion of this concentrate is refined into pure white cocaine powder in the coca-growing countries and smuggled directly or through neighboring countries to North American and European markets. 70 to 90 percent of the crude cocaine is smuggled by land, sea or air to refining laboratories located near Colombia's major industrial cities. The basic land route follows the Panamerican Highway north from Bolivia and Peru through Ecuador to Colombia. The drug is ferreted across borders in small quantities under the skirts of thousands of peasant women, or in bulk on fishing boats or trucks loaded with 700 bags of cement which no customs officer would want to unload for inspection. In Colombia's

cities, the industrial chemicals needed for removing impurities can be obtained.

The international cocaine cartel centralizes its activities in Colombia in order to enforce strict control over the world market. Much more cocaine enters Colombia than goes out. The difference is far greater than would be accounted for by losses in processing, Colombian cocaine consumption, or smuggling. Hence, it seems that Dope, Inc. maintains warehouses with buffer stocks and decides exactly how much goes out to the coke markets in order to keep prices from falling.

From Colombia about 100 tons per year of the deadly commodity are dispatched into the United States over a plethora of routes. Light planes take off from 1,500 landing strips scattered around the country and head for a comparable number of unpoliced landing sites in the Southern states. Panama serves as a major transshipment point to canal traffic, to Mexico, and to Central America for export via United Brands' "great white fleet" of banana boats.

# The continental narcotics buildup

Last month's "cocaine coup" in Bolivia is unfortunately not an exception in what the Carter administration's foreign policy is producing in Latin America—nor what can be expected of a possible Reagan one. Despite Washington's profuse public protestations over the Bolivian coup, the fact of the matter is that U.S. policy—in particular the support for World Bank and International Monetary Fund austerity dictates—has driven a number of Latin American nations into producing drugs as a quick "cash crop" to pay their foreign debt.

For example, between 1976 and 1980—the four years that Jimmy Carter has been President of the United States—Colombia has gone from exporting about \$1 billion in marijuana to the U.S., to exporting \$6 billion—over 75 percent of what our youth currently consumes of that destructive drug. As the table indicates, Colombia now makes close to twice as much from drug exports as it does from all other exports combined!

Jamaica is another notorious example of how the Carter administration and the IMF push drugs. As this magazine has previously documented, the financial squeeze Jamaica has been subjected to has given the advocates of drug legalization there a powerful argument and incentive for their cause. That country's production of marijuana has skyrocketed by almost 700 percent during the Carter years.

And Peru is a further tragic example of how a jump in cocaine exports of over 1,500 percent was achieved

between 1976 and 1980. This case is particularly telling: here the IMF's application of strict conditionalities for extending loans to Peru ultimately forced that country to resort to the narcotics trade as a means of eliminating its balance of payments deficit and satisfying its IMF creditors.

Scarcely a week after the Bolivian coup was executed, neighboring Peru was returned to "democracy" under President Fernando Belaunde Terry, re-elected after 12 years of military rule.

Journalists and news services across the world could hardly contain themselves from expostulating on how "different" Peru and Bolivia had become. But as is usually the case with such homilies, the truth is exactly the opposite. In reality, the Belaunde inauguration in Peru was *also* a complete victory for Dope, Inc.

"Democratic" Mr. Belaunde is hardly opposed to drug policies. Key members of his cabinet, such as Finance and Prime Minister Manuel Ulloa and Economics Minister Pedro Pablo Kuczynski, are longtime agents of Wall Street investment houses like Kuhn, Loeb, which are heavily involved in the international drug trade.

A dead giveaway of what to expect from Belaunde, the U.S. State Department's prize case of successful "democratization" in Latin America, was his reaction to the bloody Bolivian coup. When every democratic government in Latin America was condemning the takeover and issuing sharp diplomatic protests, Belaunde judiciously explained that he could do nothing of the sort, since it would constitute an unacceptable "intervention into the internal affairs" of Bolivia.

An interesting sidelight of the Peru-Bolivia connection is the fact that Peru two years ago legalized casinos and gambling in its border towns with Chile, Ecuador and Bolivia—a classic cover for laundering dirty drug money.

## Drugs in Latin America, 1976-1980

(figures are estimates)

Country	Drug production (metric tons)	Area cropped (hectares)	Drug exports (millions \$)	All other exports (millions \$)	Drug exports/Other exports (percentage)
<b>Cocaine equivalent</b>					
Bolivia 1976		2,500	\$50	\$550	9%
Bolivia 79/80	25 120	10,000	\$1,000	\$800	125%
Peru 1976		2,500	\$100	\$1,350	8%
Peru 79/80	25 170	15,000	\$1,500	\$3,500	43%
<b>Marijuana</b>					
Jamaica 1976		NA	Minimal	\$575	Minimal
Jamaica 79/80	300 2,000	5,000	\$500	\$1,000	50%
Colombia 1976	3,000	10,000	\$1,000	\$1,750	55%
Colombia 79/80	15,000	50,000	\$6,000	\$3,500	170%

### Note:

The cocaine equivalent figures above include about 20 tons per year in each of Bolivia and Peru which is consumed by the local peasants in their chewing of coca leaves as a depressant.

The figures for all other exports are those given by the respective governments and the IMF. Although much of the drug exports are probably disguised as exports of other goods, we have not adjusted official export figures.