

## Andean Report by Carlos Méndez

### A new front against García

*The narco-warfare against the President of Peru has moved onto the financial front.*

On July 14, the dollar was trading on the informal market of Ocoña Street, in Lima, at 38 intis. The next day, it was up to 40.9 intis. On July 17, the dollar was quoted at 45 intis, representing an unprecedented rise of 28.55% in three days.

Although observers assert that the increase is due to an excessive demand due to paralysis of the domestic banking system, the truth is rather that the rise in the dollar reflects a massive flight capital operation currently under way, in cahoots with the drug-traffickers, who provide the dollars. The orchestrated flight capital joins the offensive of Soviet narco-terrorism and the Peruvian agents of "Project Democracy," against the nationalist García government.

It is no accident that this offensive of the narco-dollar emerged only days after President García went on national television to denounce the Ocoña black market in dollars. On July 5, in a message to the nation on the new economic measures taken by his government following a dramatic cabinet reshuffle, President García said that alongside the legal dollars, "there are other dollars that stem in large part from the profits of the drug trade, and are sold in exchange houses and even in street sales."

On July 13, García ally and Planning Minister Javier Tantalean was more specific, charging that at least \$1 billion in narco-dollars had entered the Peruvian economy, "and this is what

has complicated the stability of the inti with respect to the dollar. . . . Initially, it was thought that Ocoña represented one or two percent of our exports, but now we are talking about nearly a third," said Tantalean. Asked if the government was considering shutting down Ocoña, Tantalean replied, "this is under study. Ocoña is like the tip of the iceberg, which means there is something much larger."

One week earlier, on July 6, independent economist Gonzalo Salazar León said that \$4 billion in "coca-dollars" had entered Peru so far this year. Salazar reviewed the various kinds of dollars—the official dollar, the financial dollar, the free dollar. "Finally, there is the coca-dollar, which is quoting in Upper Huallaga at 20-23 intis, and in Pucallpa can even be gotten at 17 intis. . . ." Clearly, those "coca-dollars" are going right out of Peru again, through Ocoña Street.

Despite this, former prime minister and finance minister Luis Alva Castro unblushingly declared July 17 that the rise of the dollar on the Ocoña black market "responds to mere speculation, and the transactions carried out there have no greater significance."

Since President García denounced the Ocoña market, the money launderers and their political godfathers have been very active. The daily *La República* published an extensive report on the Peruvian economy July 7, which concluded with the proposal that

García adopt the "Colombian model" of accepting dollars without asking their origin, through a so-called "sinister window." One day later, *La República* wrote that "sources linked to the government" revealed that the authorities were considering the possibility of creating "free zones" in the country, to attract foreign investment.

The mouthpieces of the "free exchange" advocates insist that there will be a large devaluation, with which rumor they are sowing distrust and inciting the re-dollarization of the Peruvian economy. On July 12, in a televised debate with Planning Minister Tantalean, former central bank head Manuel Moreyra Loredo argued that the government had decreed a devaluation that bordered on 45%, and added that it would not be unusual to see the Ocoña "free market" dollar rise to 45 intis.

Tantalean responded furiously that Moreyra was "a sower of suspicions, who for some time . . . as been trying to create mistrust among the businessmen, making predictions that don't come to pass." Finance Minister Gustavo Saberbein also responded to Moreyra, denying the devaluation and observing that "the liberal economists don't like either planning or economic programming; they leave all to the free market, as the IMF recommends. But we have known these policies. They are what we have been subjected to . . . in the worst crisis of the republic's history."

García has responded to the financial warfare with characteristic cultural optimism. Pledging that the country's economic growth will be premised on reviving consumer demand, thereby revving up production in factories currently working at half-capacity, García insisted that "This concept is important not only for Peru, but for Latin America and the world of poor nations. . . ."