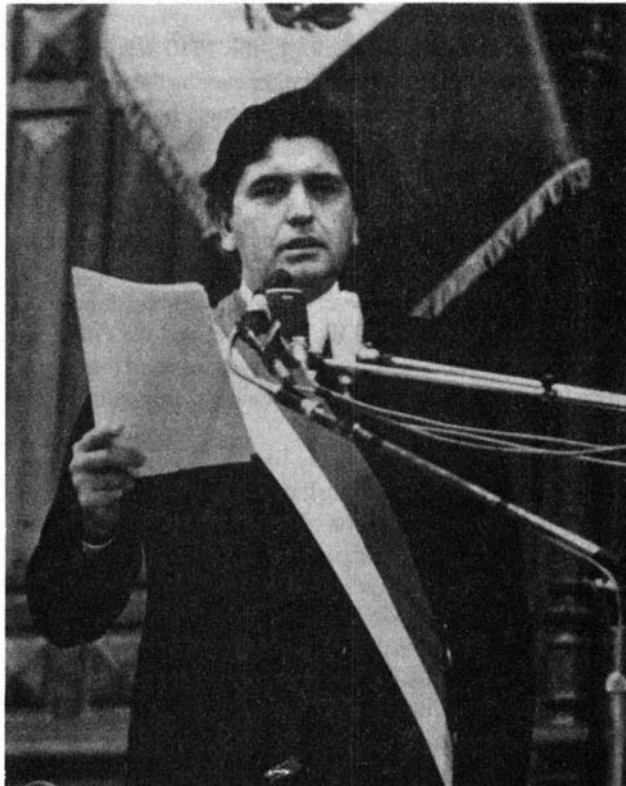


# Project Democracy's frontmen defend drug bankers in Peru

by Gretchen Small

The international narcotics legalization lobby has taken up the lead in organizing a "bankers' insurrection" against the government of Alan García in Peru, in defense of the self-proclaimed "right" of Western banks to launder drug monies with impunity. Although "narco-bankers" have plenty of their own money, U.S. taxpayers' monies, channeled through the National Endowment for Democracy (NED), are footing part of the bill.

The NED was created in 1984, as the public arm of the bankers' secret government in the United States, which Oliver North called "Project Democracy."



*President of Peru Alan García on July 28, 1987, when he moved to shut down the drug-money banks.*

Found at the head of the bankers' "civic resistance," is Peru's Liberty and Democracy Institute (ILD), the leading institution in the Western Hemisphere promoting the legalization of the black market, through which the narcotics trade is organized and financed. The NED has financed the ILD to the tune of hundreds of thousands of dollars, and promotes the ILD's economic strategy, as a way to pay Ibero-America's foreign debt—by legalizing drug monies.

ILD board member and propagandist, Mario Vargas Llosa, is hailed as the "new star" of the bankers' revolution. Standing by his side in every rally and press conference, is the ILD's founder, the Peruvian-Swiss banker, Hernando de Soto. ILD board member Ricardo Vega Llona, who heads the Peruvian businessmen's association, Confiep, has threatened that businessmen will withhold their investments, and launch an economic boycott, until the government returns the banks to their previous owners.

The parallels to the situation in Panama—in policy and personnel—are startling. International bankers put together a movement called "Civic Crusade" to overthrow the government, after Panama's military collaborated last May with U.S. anti-narcotics officials, to shut down 18 bank accounts which had been used for laundering narcotics proceeds. The National Endowment for Democracy is backing leading operatives of the Civic Crusade, including Project Democracy's favorite Panamanian banker, Nicolás Ardito Barletta, the man who set up Panama's offshore banking center to be "more secret than Switzerland."

Vargas Llosa and Ardito Barletta have more in common than NED financing. Both are members of Sol Linowitz' Inter-American Dialogue, the informal policy body which has quietly worked since its founding in 1982, to set the Western Hemisphere's political agenda in the manner sought by the U.S. Eastern Establishment. Both support the Dialogue's call for legalization of the narcotics trade (see box).

## Freedom to launder drugs

On July 28, President García shut down all non-bank monetary transactions, and nationalized Peru's banking system, in order to ensure that the buying and selling of dollars

in the country will be only for "permissible legal uses." García charged that the private banks had been refusing to finance productive investment inside Peru, preferring to make their profits by trading billions in "dollars from the black market, the majority of which come from the drug trade."

Peruvian officials charged that the banks had been laundering some \$3 billion a year in narcotics money. In an Aug. 21 exclusive, *EIR* published documents, gathered during a 1982-83 investigation by Peru's Attorney General's office, which demonstrate how Peru's largest bank, Banco de Crédito, had laundered millions of dollars a day in drug money, at its branches in small coca-growing jungle towns such as Tocache.

Private bankers went to the courts, to try and stop the nationalization. García presented the nationalization bill to Congress, urging its rapid passage. The bill passed the Chamber of Deputies, but bankers' agents in the Senate, from both the right and left, have undertaken every action possible to stall its passage, to buy time to build their insurrection in the streets.

On Aug. 14, the bankers' lobby called their first rally.

The middle class protesters, many of them bank employees, chanted "He will fall; García will fall." Speakers denounced the government for "economic totalitarianism." The head of the Popular Christian Party, Luis Bedoya, told the crowd it was "the people's right . . . to rise up in insurrection."

The media, most owned by Peru's leading oligarchical families, built up the atmosphere of rebellion. The Aug. 14 rally was broadcast live for three hours by six of Lima's seven television stations.

Two days later, former President Gen. Morales Bermúdez (under whose 1975-80 regime the cocaine boom took off) repeated Bedoya's threat: "Our Constitution gives people the right of insurrection. . . . If the banks fall, democracy falls, too," he told *El Comercio*.

Sen. Javier Silva Ruete, Morales Bermúdez's former economics minister, joined the protest, resigning from his post as head of the Senate Economics Committee. An independent who ran on the governing APRA party ticket, Silva Ruete is a member of the Inter-American Dialogue.

On Aug. 21, a "Civic Meeting for Liberty" was called for Lima's San Martín Plaza, gathering some 80,000 middle-

## Profile of a drug legalizer

Mario Vargas Llosa, the "new star" of the bankers, is best known internationally as a novelist. In the past year, however, he has been groomed by the Trilateral Commission as Project Democracy's candidate for President of Peru—perhaps before the scheduled 1990 elections.

A libertarian and follower of fascist philosopher Nietzsche, Vargas Llosa has dedicated his life to combating religion and morality as an "oppression" of individual "rights."

Vargas Llosa was a founding member of the Liberty and Democracy Institute (ILD) in Peru. That institution's stated goal of promoting "a new cultural identity" for Spanish-speaking America, replacing Catholicism which is denounced as a "pillar of the old order," fits his Nietzschean outlook.

He is an outspoken defender of the illegal economy, praised by ILD members as the "inspiration" of the ILD's book, *The Other Path*, heralded by Project Democracy as the bible of the "new revolution" in Ibero-America. In his introduction to that book, Vargas Llosa attacks the majority of "legal businessmen" for standing in the way of the underground economy, which he calls "more authentically hardworking and creative than that which usurps the title of 'legitimate.'" The *New York Times Magazine* published excerpts from the introduction on Feb. 22, 1987, entitled, "In Defense of the Black Market."

Vargas Llosa apparently opposes "repression" of narcotics also, as a violation of "freedom." A member of the Inter-American Dialogue (along with the likes of Cyrus Vance, McGeorge Bundy, and Robert McNamara), he signed its *1986 Report*, which announced the time has come to discuss legalizing drugs. Each member was given the opportunity to specify which of the *Report's* conclusions they disagreed with; none of them opposed the conclusions on narcotics. The Dialogue's *Report* argues:

"Waging war on drugs costs money. . . . More important, it will inevitably result in the loss of jobs, income, and *foreign exchange* that the drug trade provides. . . . To curtail drug production is to destroy the livelihoods of tens of thousands of people, to cripple local economies, and to foment political opposition. Moreover, although only a small fraction of drug profits return to producing countries in Latin America, *the amounts are substantial for strapped economies carrying large burdens of external debt*. In Peru, repatriated drug profits of an estimated \$600 million represent 20% of official export earnings.

"The war against narcotics in the Hemisphere will be long and difficult. . . . Readiness to explore fresh approaches, including some not now on the political agenda [is needed]. . . . Because narcotics is such a formidable problem, the widest range of alternative approaches must be examined, including *selective legalization*. . . .

"The illegality of drugs . . . makes the damage greater for both the addicts and the societies of the Americas. . . . If selective legalization could reduce the enormous profits derived from drug trafficking, it would decrease vice and corruption. . . ." (emphasis added).

## The ILD's strategy: 'freedom' to be poor

Project Democracy's networks have spent millions in publicity this past year, promoting the Liberty and Democracy Institute's (ILD) book, *El otro sendero (The Other Path)*, as the solution to Ibero-America's economic crisis. The largest source of untapped wealth in the region, lies in the "informal economy," *The Other Path* argues, a term they note for what is "called in other places the black, hidden, or marginal economy." If this underground economy be legalized, Ibero-America can both "grow," and pay its foreign debts, they argue.

"An ever greater portion of the traditionally formal population has been escaping from the oppressive world of legality," Hernando de Soto proclaims in *The Other Path*. "Informal institutions and the protected space which they have created, now permit anyone to confront the mercantilist State, instead of succumbing to its yoke."

Indeed, Ibero-America's "independent" street vendors, artisans, and one-family businesses—promoted as the "creative entrepreneurship" of the informal economy—have been targeted as the prime recruitment population for the Soviet-run narco-terrorist insurgencies across the continent. Behind such "informal economy" advocates as Hernando de Soto in Peru, or Ernesto Samper

Pizano in Colombia, can be found the financial oligarchy which runs drugs, and narco-terrorism.

Antonio Navarro Wolf, a leader and spokesman for Colombia's M-19 narco-guerrillas, revealed the actual intent of such informal economy "theoreticians," in a December 1985 interview to the Mexican publication *Cuadernos Políticos*:

That enormous layer of Colombians who are the urban marginalized, are those who best receive the mobilizing message of the guerrilla. . . . 55% of the population in the large cities are underemployed, or unemployed, that is, marginalized. . . .

Today we are absolutely convinced that what yields the most in the cities is . . . work in the poor and marginal *barrios*. The street vendor, the salaried worker of a very small business, the shoe repairman, the policeman, the artisan, the thief, he who lives by 'hustling' (an occupation in which the line between what is legal and illegal is very tenuous), lives there.

For example, in the [guerrilla] camps, we worked with 'gamins,' abandoned children who do not have parents and live in the streets; thousands of children of 10, 14, 16 years; these are the worst of human marginality, because they are marginalized from childhood. Organized in the camps, these children become a factor of tremendous dynamism in the popular struggle. . . . For all these

class protesters. The star of the rally was Vargas Llosa. If the bank nationalization goes through, we will go to the international courts at The Hague, and throw people in the streets to protest "totalitarianism," he promised.

The next rally of the "civic resistance" is set for Arequipa, Peru's second largest city, in population and industrial activity. Arequipa has been a center of regionalist separatist activity since the founding of the Peruvian republic. Many of the ILD's board members, including both De Soto and Vargas Llosa, are from Arequipa.

Joining the oligarchy in preparing for the rally, is Arequipa's mayor, Luis Caceres Velásquez, a member of the mafia-linked Caceres family, whose financial, "business" and political power in the south has made them known as the "owners" of Puno, the southern department which borders both Arequipa and Bolivia. Luis's brother, Roger, the senator from Puno for the United Left party, has often been cited as the top controller of coca production in the southern region.

Vargas Llosa and Roger Caceres are pictured walking together arm and arm, on the cover of the Lima weekly,

*Caretas*, on Aug. 24.

### Terrorist offensive

"Civic resistance" is not the only method employed in the bankers' war against the government.

*EIR*'s Lima bureau received a death threat on Aug. 12, after the bureau announced that it would hold a press conference the next day, to release *EIR*'s documentation of drug-money laundering by the banks. "We will kill you," a caller warned. Every leading newspaper and television channel attended the conference the next day, but not a word has been published on it.

*EIR* reported that the first leads for the Attorney General's investigation into bank laundering of narcotics profits were provided by "collaborators inside the Banco de Crédito and other banks operating in the Upper Huallaga jungle region." On Aug. 21, terrorists kidnaped, tortured, and then burned alive, a bank employee who had worked at a bank in Tocache, located in the heart of the Upper Huallaga Valley.

Terrorism in the city of Lima escalated. Three car bombs exploded between Aug. 24 and 25, including one in the

people, the future is with the triumph of the revolution. The rest is hunger, marginality, desperation, death—nothing else. . . .

The theoreticians must make a theory out of all this experience. It is up to them to reflect, for example, on the role of Latin American marginality in the revolutionary process. In Latin America, we have to write our own theory of revolution.

The Catholic Church of Colombia, in a mid-July pastoral document issued by the annual meeting of its bishops council, warned that nations would fall apart, unless the "informal economy" be ended:

The economic vacuum that annually removes more than \$2 billion, to accumulate in banks of powerful foreigners, is dramatically expanding the absolute poverty of our people; leaving a population without land and without jobs, delivered without hope to the informal economy. This inexorably generates oppressive social injustice, and . . . encourages conflicts promoted by ideologies that dissolve the bonds of nationality.

The false premises of the informal economy theorists were identified by Mexican economist Manuel Aguilera Gómez. On June 3, 1987, he wrote a commentary for the Mexican daily *Excelsior* which described the ILD book *El Otro Sendero* as "an imperial project," which "by interpreting the spread of the informal economy as

the solution to the social problems of our countries, is a fallacy, an assault on reason and intelligence." Continued Aguilera, "It is a poor concept of freedom that encourages the freedom of poverty."

Equally scathing was a commentary by a leader of the Colombian small industrialists association, Juan Alfredo Pinto, who, at an Aug. 14 seminar on "Reviving the Social Ethic in Colombia," denounced those "true masters of euphemism, who call contraband 'marginal informality,' who call political or fiscal pimping, 'amnesty,' and who call vice and crime 'organized delinquency.' "

Pinto knows whereof he speaks. Colombia's small business associations have been the constant targets of a campaign headed by Ernesto Samper Pizano, a top collaborator of the ILD in Colombia, to recruit them to the informal economy. Like Mario Vargas Llosa, Samper hopes to become President, by organizing a political base from among the "marginalized" sectors of the population.

Samper, from one of Colombia's oldest oligarchic families, got his start during the 1970s as the financial adviser to narco-banker Jaime Michelsen Uribe, currently a fugitive from Colombian justice. Samper headed Michelsen's "think tank" ANIF (National Association of Financial Institutes), a well-financed lobby for drug legalization. Samper went on to become treasurer for the reelection campaign of former President Alfonso López Michelsen, Jaime Michelsen's cousin and the political "godfather" of the Colombian drug trade.

basement of the Sheraton Hotel, a bomb placed at the Citibank branch in downtown Lima gravely wounded two people, and terrorists blew up the railroad linking the capital with the agricultural and mining centers of the Central Sierra.

The United Left party (IU) has joined the bankers, demanding that the government pass an amnesty law which would free 130 of their members now jailed on charges of terrorism, before the bank nationalization bill is discussed. IU parliamentarians, including Communist Party Secretary General Jorge Del Prado, began a hunger strike, until the amnesty goes through.

ILD collaborator and former Economics Minister Manuel Ulloa, responsible for the last government's laws which assured "investors" they could bring in dollars, "no questions asked," announced on Aug. 25 that he, too, supports the demand for amnesty for the terrorists.

### **Calls for sanity**

The bankers do not enjoy an open field, however, despite the image created by their control of the mass media. President Alan García has been speaking non-stop to rallies of

thousands, in Lima and around the country, sometimes as much as three hours in one day. By nationalizing Peru's credit system, we have challenged "the greatest empires of power, to whom sacrifice of human life for economic policies meant nothing," he explains each time. We are not penalizing businessmen who wish to invest, but those who have only "bought dollars on the black market to send out of the country."

His remarks at a rally in the Comas district of Lima on Aug. 19 summarize the current standoff between the bankers, the narcoterrorists, and the popular support still enjoyed by his government. "They make money, we make history. They have their dollars and gold; I have this impressive and huge treasure, which is the Peruvian people," García said.

Supporting the President in his battle against usury is the Catholic Church, whose leaders in Peru have been reminding Peruvians that "capital and labor are to be at the service of man," first and foremost. As Monseñor August Vargas Alzamora, Secretary General of the Catholic Bishops Council, has warned, fomenting divisions between Peruvians is especially dangerous today, when a sector "has chosen the terrorist path to impose its ideas."