

Andean Report by Mark Sonnenblick

Peru surrenders to money launderers

Alan García is in alliance with President Reagan's favorite "informal economy" champion.

Peruvian President Alan García on April 9 abandoned his fight against the use of Peru's banking system for laundering money for the cocaine trade. To wage that fight and to shift credit flows from speculation to industry, García decreed the nationalization of the financial system last July 28. At that time, he declared, "The government, not the drug traffickers, must run the economy." He told the nation that most of the capital flight Peru has suffered involves "dollars from the black market, the majority of which come from the drug traffic."

On April 9, however, García invited Hernando de Soto, the lobbyist for Peru's illegal "underground" economy, to spend three hours advising his cabinet on what steps it should take to liberalize Peru's economy. The next day García issued Decree Law 469, a complete replacement of his 1987 bank nationalization decree. The new law purges the initial decree of provisions which would have made drug money laundering difficult; it also embodies De Soto's suggestion that 10% of all bank credit be channeled to "informal economy" businesses.

De Soto boasted April 12, "We are the authors of that initiative, which will be very positive for the people." De Soto is the president of the Institute for Liberty and Democracy (ILD), created and funded by the Project Democracy crowd behind the Iran-Contra operation. In a speech last year at the United Nations, Ronald Reagan lauded De Soto's book, *El Otro Sendero* (meaning "the other path"), a bi-

ble for libertarian terrorism against any nation-state's efforts to exercise sovereignty over its own economic development. (De Soto's title alludes to the Shining Path terrorists who are devastating Peru.)

The ILD, to which García is now turning for an economic program and political support, is the same ILD which led the successful internationally publicized wrecking operation against García's bank nationalization and against his very presidency. An ILD advertisement in the daily *El Comercio*, Aug. 10, 1987 described García's nationalization as "the totalitarian menace of concentrating the powerful instrument of credit in the state."

ILD leader Mario Vargas Llosa, who filled plazas with crowds of employees of Peru's speculator class screaming for García to be overthrown, no longer hides for whom he is working. On being given an award by David Rockefeller's Americas Society in New York, April 15, Vargas Llosa blurted, "I am proud to be a friend of the bankers, if they are honest and efficient." He went on to "ask that what the United States is doing in Panama, which is pressure against a corrupt and dictatorial government like General Noriega's, be applied equally to all the dictatorial governments of the continent."

Such pressure helped defeat García's "totalitarian" banking measures, which would have put the clamp on Dope, Inc.'s money laundering. Vargas Llosa plans to keep up the pressure

as the "charismatic" 1990 presidential candidate of a coalition of defunct oligarchic parties, including that of ex-President F. Belaúnde. Vargas Llosa's ILD partner, De Soto, for the moment, sees nothing to lose and everything to gain by working from the inside to exercise policy control. De Soto told an April 7 press conference, "One can make politics and help the country without belonging to parties. That is the position I wish to maintain."

At the same time that García took over the banks, he sent the police in to repress the money-laundering houses which had functioned openly on Ocoña Street in downtown Lima. On March 11, Finance Minister Gustavo Saberein announced, "It is no longer illegal to sell dollars on the Ocoña secondary market" and Ocoña Street was soon reported to be as bustling as "a Persian market."

What happened? The uprising led by the ILD and by Socialist International saboteurs inside García's government had bankrupted Peru, economically and morally. As months went by with Peruvian bankers in a state of rebellion and foreign bankers denying trade credits, Peru's exports collapsed. Exporters and drug traffickers kept their dollars in the United States. Peru ran out of dollars.

At the end of January, García surrendered to the "free exchange" policy demanded by the ILD liberals in the interests of the drug mafia. His government legalized imports paid for with dirty money dollars held abroad—no questions asked. Peru, in effect, was imitating the "sinister window" at the Colombian central bank, where narcotics money is brought in legally. García abdicated the moral high ground by not even telling his people that this, and the accompanying austerity package, had been forced upon Peru by its relentless enemies.