DEA says free-market reforms led to drug takeover of Colombia's economy

In September, the financial unit of the strategic intelligence division of the U.S. Drug Enforcement Administration (DEA) published a document entitled "Colombian Economic Reform: The Impact on Drug Money-Laundering within the Colombian Economy."

The document, while careful not to "name names," nonetheless is a devastating indictment of, in particular, the César Gaviria administration (1990-94), which enacted the free-market reforms that opened the Colombian economy to takeover by the drug cartels. The immediate result of delivering such enormous financial power to the drug cartels was this year's election to the Colombian presidency of Ernesto Samper Pizano, a longtime advocate of drug legalization who is considered in many intelligence and law-enforcement circles to be on the drug cartels' payroll. Gaviria himself was boosted, *with the direct sponsorship of the former George Bush administration,* into the post of secretary general of the Organization of American States (OAS).

Since the publication of this DEA document, another report by that agency has been issued which identifies Colombian lawyer Angela Cuevas Gamboa as the architect of the Cali drug cartel's 25-nation money-laundering apparatus. Cuevas is reported to have been close to many high-level officials in the Colombian Central Bank, and Finance and Planning ministries, of the Gaviria government. In 1993, Cuevas served as an important financial adviser to Gaviria's National Planning Department. Her nephew, Mauricio Guzmán Cuevas, was just elected mayor of the city of Cali, home base of the Cali drug cartel.

The following are excerpts from the DEA report on Colombian economic reform and drug money-laundering:

DEA Executive Summary

The Colombian *Apertura* ("opening") program, initiated in 1990, features a movement toward privatizing major state-owned companies and liberalizing Colombia's economy in an effort to attract and generate capital. Prior to 1990, Colombia and many other South American nations prohibited the importation of certain goods from other nations to protect domestic industries from foreign competition. Recently, a combination of financial, labor, tax and trade reforms have paved the way for Colombia to compete more effectively in the global economy.

However, as the country's economic reforms proceed, Colombian drug kingpins have taken advantage of the government's reforms and capitalized on the benefits of a more open and liberal economy. Reform has created more opportunities and provided drug kingpins easier access to launder and safeguard their illicit wealth within Colombia. The privatization of major Colombian banks, combined with the placement of the foreign exchange markets in the hands of private financiers, has made it possible for Colombian drug kingpins covertly to influence policies and operations of certain Colombian banks.

In addition, the revenue generated from the drug trafficking industry has permeated every facet of Colombian society. Consequently, the country's increasing reliance on the proceeds of this criminal activity has caused serious concern among government officials in Colombia and in the United States. . . .

As each dollar enters the kingpins' accounts, the political and economic influence they exert on the government increases. This establishes a dangerous precedent for the region. Drug kingpins are able to influence the structure of financial and banking regulations in order to launder, legitimize, and safeguard their illicit wealth with ease and without legal repercussions. Without the implementation and enforcement of money-laundering laws and the enactment of an extradition treaty with the United States, the present economic reforms in Colombia will increase the difficulty for the U.S. and Colombian governments to combat drug trafficking effectively.

Effects of the 'Apertura' program

The Colombian *Apertura* ("opening") program has stimulated and increased growth in the country's financial sector and has had the collateral effect of broadening the array of instruments available to Colombian drug traffickers to legitimize their illicit monies. The liberalization program has led the Colombian government to privatize many state-owned banks, utilities (such as electric and telecommunications companies), and port facilities. The government also has established a private pension fund system to increase investments in both the stock and bond markets. . . .

The government and private financial sectors in Colombia are modernizing their automated banking-financial and telecommunication-transaction systems. These upgraded systems provide banks in Colombia with on-line access to

Former Colombian President César Gaviria, whose free-market reforms opened up the economy to the drug cartels.

international banking and other financial services, and enable instantaneous transactions with major financial markets. . . .

Throughout 1992 and 1993, Colombia's stock exchanges experienced strong growth following the Central Bank of Colombia's approval of a resolution authorizing the private sector to establish futures and options markets for commodities. These markets also allow for the trading of foreign currencies, bonds, and other financial instruments. The reforms opened up trading to foreign brokerage houses and other financial institutions. . . . Furthermore, the foreign exchange markets, including the import and export sectors, now are being placed entirely in the hands of the private financial sector. These reforms lack the necessary regulations and monitors to prevent illicit money laundering. Consequently, the privatization of the financial sector enables drug kingpins to safeguard their illicit assets. . . .

Ironically, a large percentage of the foreign currency reserves that are flooding the Colombian government's international reserves accounts (especially the majority of U.S. dollars) are believed to stem from the repatriation of drug proceeds from U.S. and European drug markets. The revenue generated by the influx of drug proceeds into the economy has provided the Colombian government with funds for debt payments and national infrastructure development. Furthermore, through the purchase of government-issued securities, Colombian drug kingpins are investing in their country's future economic development.

Privatization of banks

A significant danger to economic security in Colombia is the purchase of financial institutions by Colombian drug organizations. The privatization of major banks in Colombia, combined with the placement of the foreign exchange markets in the hands of private financiers, has provided Colombian drug kingpins with the ability to influence covertly the policies and operations of certain banks in Colombia. There are now 16 banks owned by private Colombian investors, 9 owned and controlled by foreign banks, and 3 owned by the Colombian government.

U.S. and Colombian government authorities have evidence of drug proceeds being deposited in every major bank in Colombia. . . .

Integration of Colombian and Venezuelan financial industries

Liberalization of economic policies in Latin America has led to the integration of Colombia's and Venezuela's financial sectors. This is of grave concern to U.S. and Colombian justice officials. Cross-border debt and equity flows between the two countries have increased over the past two years and they are expected to climb to record amounts in 1994. As these flows increase, it will become easier to camouflage cross-border drug currency flows. . . . Privatization has allowed non-Colombians to purchase previously state-owned banks.

In a series of law enforcement raids by the Venezuelan *Guardia Nacional* in western Venezuela in October 1993, evidence revealed a major money-laundering organization using Colombian, U.S., and Venezuelan banks, in addition to *casas de cambio* (currency exchange houses). Analysis of documents seized in the Venezuelan raids indicates that billions of Colombian pesos, Venezuelan bolivars, and hundreds of millions of U.S. dollars were laundered through Venezuelan en route to Colombia. . . .

It is suspected that the shutdown of that particular money-laundering organization may have had a direct or indirect effect on the collapse of Venezuela's Banco Latino in January 1994, and placed the entire Venezuelan banking system in a major crisis. . . . Although the Colombian banking system is healthy, it currently is susceptible to such a crisis as corruption and drug money laundering activities continue to spread throughout the banking sector. . . . There are currently no money-laundering laws in Colombia. The only type of financial criminal law that is enforceable in Colombia is the "illicit enrichment" law and few have been penalized for violating this law.

The economic impact of drug money-laundering in Colombia

The Colombian government is becoming dependent on the drug-trafficking industry for a significant portion of its gross domestic and national product. Some sectors of the economy, such as the construction sector, already have become highly dependent on this illicit source. The construction of business offices, hotels, condominiums, and housing has boomed in Bogotá. Information from various sources indicates that the construction boom has been financed primarily by large investments using drug proceeds. Not only is the construction industry an ideal means for drug traffickers to launder and legitimize their illicit wealth, investing in it is also a hedge against inflation. . . .

Macro-economic perspective

On a macro-economic level, the amount of drug money entering Colombia has affected the monetary and fiscal policies currently being pursued by the government. Prior to 1992, Colombian citizens were not authorized to hold U.S. dollar accounts, and the only exceptions to this rule were import-export businesses. However, in January 1991, as a result of the *Apertura* program, the government liberalized and/or eliminated many foreign exchange controls. Currently, Colombian citizens and all types of businesses are authorized to hold U.S. dollar accounts. Consequently, hundreds of millions of dollars worth of drug-related U.S. currency has been flowing into Colombia. . . .

Drug money from cocaine markets overseas has been entering the country disguised as foreign investments. Foreign businesses and/or private institutions established by Colombian cartels or their associates, have been "legitimately" investing drug profits in the public and private sectors of Colombia's economy. Most economic activities from infrastructure development to stock market investment have been tainted by the proceeds of drug sales from all over the world. . . .

Conclusion

If the government of Colombia continues to allow exports to decrease, a major source of the country's legitimate revenue will decrease. At the same time, if the government of Colombia continues to allow the substitution of export revenue with revenue from illicit sources, and does not address its attention to the influx of illicit proceeds, Colombia's entire economy will become vulnerable to volatile changes in the drug industry. Colombia may be the first country to become economically dependent upon the drug-trafficking industry. Although the injection of drug money into the economy may have a short-run positive effect, in the long run, economic dependency on this illicit source of income will have a serious detrimental effect on the social, economic and political sectors of the nation and will weaken regional stability. As drug-generated proceeds become the primary source of revenue, the country will become increasingly susceptible to the influence of criminal elements.

Ultimately, the criminal kingpins in Colombia will have, if they do not already, significant influence on the Colombian government's decision-making process. Critical economic and legislative decisions will be affected in favor of protecting and increasing the assets of the drug kingpins, regardless of the implications these pose to the country. Unless the Colombian government enacts and strictly enforces money-laundering and asset-forfeiture laws, the drug kingpins' activities and influence will spread throughout the region and elsewhere, threatening to destabilize the Colombian government and other governments throughout the region.

Prince Philip's mob begins new offensive

by Mark Burdman

On Nov. 28, a major fundraising event for Prince Philip's World Wide Fund for Nature and its fundraising arm, the 1001 Nature Trust, took place in Geneva, Switzerland. All proceeds from a concert at Geneva's Victoria Hall, which featured the Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy and an audience of some 1,500, were donated to the WWF (formerly the World Wildlife Fund). Co-patrons of the concert were the British Royal Consort, who is international president of the WWF, and Otto Stich, president of the Swiss federal government. Later, a gala dinner of 500 guests was held at Geneva's Foyer du Grand Théâtre, with Prince Philip presiding. Some of the leading banks and financial institutions helped sponsor the day's events.

Meanwhile, leading figures in the British "wildlife lobby" launched a mobilization in the U.K. to promote their policy of reducing non-white populations in favor of "wildlife." These individuals have been identified in the *EIR* Oct. 28 *Special Report,* "The Coming Fall of the House of Windsor," as key operatives of the British Crown's "conservationist international." The *EIR* report exposes the British Crown's use of "conservation" and "nature reserves" as vehicles for carrying out genocide around the world.

On Nov. 26, Dr. Richard Leakey, who was chairman of the Kenya Wildlife Services until 1992, gave a speech to the Royal Geographical Society in London. The meeting was organized by Britain's "Friends of Conservation" group. Leakey spoke of "the conflict between wildlife conservation and economic development," warning that governments in many African countries were coming under increased pressure to allow agricultural expansion and economic development that have harmful effects for wildlife. Measures have to be taken to ensure that wildlife and "wildlife tourism" were seen to be benefitting "local people," he said.

On Nov. 27, John Aspinall, a gambling casino magnate who has liberally funded "wildlife-zoological" movements, wrote a letter to the London *Observer,* defending himself against charges that he preferred animals to human beings. Aspinall has become the center of a storm of controversy, following an incident in which one of the tigers at his private zoo mauled and killed its trainer. Aspinall explained the event thusly: "There are a million humans for every tiger. . . . One of the rarest animals in the world is a great keeper and Trevor [Smith, the trainer who was mauled by the tiger Balkash] was one of those. His life had a high value, but he knew . . . that