Ibero-America becoming a drug money-laundering center

by José Carlos Méndez

The Ibero-American economies are rapidly being transformed into drug money laundromats, through the International Monetary Fund's insistence that repatriation of what it euphemistically calls "foreign flight capital" must be welcomed with open arms, unquestioned as to origin and unlimited in its amount. In the past decade, only a few of the hundreds of billions of dollars generated yearly by the drug trade stayed within the region, the majority being deposited abroad in the offshore banking centers linked to the advanced sector.

Now, however, more of the money is being encouraged to return to Ibero-America—at least long enough so that it can be recycled as payments on the foreign debt. As a few brave national businessmen and officials have protested, other than financing debt payments, this stepped-up recycling has only brought inflation and devalued the local currencies, driving already-struggling legitimate businessmen more rapidly into bankruptcy.

Peru: coca sets the exchange rate

Such is the case in Peru. On Nov. 28, former Agriculture Minister Carlos Amat y León exposed the fact that the growing amounts of drug monies returning to Peru "have been negatively influencing . . . the exchange rate." Peru now finds itself in the ridiculous situation, he said, where "the productivity of coca and coca paste determine . . . the competitiveness of the entire formal sector. The value of our currency on the market depends on the productivity of the coca sector and the level of demand of [drug] consumers in the importing countries."

Today, some 120,000 families are involved in cultivating coca in Peru, he noted. He specified that that means that approximately 600,000 people are directly dependent on the drug trade for their existence—around 3% of the population as a whole, and 10% of the rural population.

Given the enormous gap between the growing labor force and shrinking number of jobs, "We should not be surprised by the flood of youths who, in their unending and frustrating search for employment, find in the drug trade an alternative income, easy, quick, lucrative, and without grave danger of police repression," the former minister added.

The head of the Santa Lucía anti-drug base in Peru's jungle has stated that "within one week they could control the activities of the drug traffickers, using radars and projectiles to down their small airplanes," Amat y León noted. "Is there really a will to end this harmful phenomenon? Or is it a problem of how to substitute the $2.5 billion which the drug trade generates a year" in Peru? he asked.

Colombia: the drugging of an economy

In Colombia, the board of directors of the Banco de la República was forced in November to request that the government of President César Gaviria exercise greater control over the laundering of drug monies, because Colombian exporters were being wiped out by the effects of the drug money entering the economy, Carlos Ossa Escobar, a member of the bank's board, told journalists on Nov. 18.

Ossa Escobar noted that there are no exact figures on how much illegal capital is entering the country. "But the influx of funds originating with the drug trade is evident," he added.

"It is a secret to no one that this influx began after the agreements with the drug-traffickers were reached at the beginning of the year. Now there is no extradition here. Colombia is a type of sanctuary for these gentlemen. . . . So if their bank accounts are pursued abroad, they bring their dollars here, because here they feel secure.

"It is necessary to thoroughly go after money laundering if we don't wish the economy to become drugged."

Spokesmen for the exporters likewise complain that the government and the Banco de la República are "mixing legitimate capital from the exporters with hot money sought abroad" and treating both as equal. They suggested to Foreign Trade Minister Juan Manuel Santos that a different exchange rate be set up for dollars obtained through the sale of tangible physical goods, than for dollars obtained through services and financial transfers.

The Gaviria government has made clear that it has no intention of giving up the hot funds—and that it has the backing of the International Monetary Fund for that policy. In his speech to an extraordinary Congress of the National Association of Exporters on Nov. 19, Finance Minister Rudolf Hommes took the tack of simply denying that the influx of dollars had anything to do with drug trafficking at all, claiming "returning flight capital" accounted for everything.

Roberto Junguito Bonet, a member of the government's monetary council, asserted that the influx of monies was due to interest rate differentials. Why? Because "the IMF has proven that what is entering Colombia is due to the difference in interest rates."

Even London's *Financial Times* has been more honest than that. In a four-page special survey on Colombia Dec. 6, the internationally read paper wrote bluntly that "the opening of the economy has also had the unfortunate side-effect of encouraging the reentry of drug money. . . . Disturbingly, much of the capital influx—probably over half—is money being repatriated by drug traffickers."

Inside Colombia, *El Espectador,* the one newspaper which has refused to waver in its campaign against the drug trade, despite assassinations and bombings, demanded that Ossa Escobar's charges be investigated.

Noting that the charges are "too serious to overlook," *El Espectador* stressed in its Nov. 24 editorial, "We are at the point that the drug trade is extending the net of its economic power and absorbing our industry, transforming it into an instrument of the total corruption of the country." Drug money-laundering has been increasing in Colombia since the creation of the "sinister window" at the central bank, allowing dollars to be turned in, no questions asked, the paper wrote.

"Today, under measures of a similar nature adopted by the current government, it can well be said without exaggeration that the state has become the principal launderer of dollars in the country." President César Gaviria should personally look into the matter, the paper urged, since he is responsible "not only for orienting economic policy, but also for the moral behavior of Colombians."

Gaviria answered on Nov. 27, dismissing the impact of drug monies in Colombia as "marginal."

Venezuela, laundering paradise

Likewise in Venezuela. On Nov. 17, the president of the National Commission against Illicit Drug Use (Conacuid), Enrique Rivas Gómez, stated that if controls were not established over Venezuela's financial system, drug money would destabilize national finances. Interviewed on one of the prime-time talk shows of Venezuela's Radio Caracas Television, Rivas Gómez called for the imposition of exchange controls as well, because "we are in a situation in which, if we don't maintain controls, [the drug traffickers] are going to penetrate us with greater sums . . . and they will destabilize our economy through the very finances of the country."

On Nov. 25, a column in the Caracas daily *2001*, reported that the U.S. "Drug Enforcement Administration is truly amazed at the depth and extension of drug money-laundering in Venezuela." As things are now going, the column added, "we shall soon witness trials in the U.S. and here; we will see how many sudden fortunes . . . are explained. . . . The faces of people of 'responsibility' and prominent philanthropists will come out into the public light."

Even so, U.S. authorities revealed on Nov. 26 that last August they had seized in Miami nearly 12 tons of cocaine which had originated in Puerto Cabello, Venezuela. The shipment, the second largest ever seized by U.S. officials, had arrived on a Danish-flag ship named the *Mercadiant Continent.*

According to a report in Venezuela's *El Nacional* newspaper Dec. 5, that ship is the very same one which transported a shipment of 230 kilos of cocaine from Venezuela, hidden in barrels of industrial glue, which were captured in December 1988 in Miami. The latter shipment is notorious in Venezuela, because it was sent to the Miami-based company, Celere, Inc., a company headed by Lázaro Rogelio Ugarte Bresselau, former chief of security for President Carlos Andrés Pérez. Just when the furor over that had begun to die down, the Caracas daily *El Globo* reported that the business interests of Gustavo Cisneros, the "Rockefeller" of Venezuela, were the real owners of the dope company Celere, Inc.

Despite adamant denials, and wild media and judicial witchhunts against anyone who ever dared oppose him, Cisneros has not been able to silence continued rumors that he was the real hand behind Celere, Inc.

Mexico: drugs yield more than oil

Mexico, from all reports, is not far behind in this pattern of drug money corruption.

According to a report by the head of the Attorney General's anti-drug office at the end of November, drug traffickers operating in Mexico "earned" the equivalent of the total foreign exchange earnings of Mexico in 1990. The official, Jorge Tello Peón, specified that total drug monies for Mexican traffickers was equal to the combined earnings from Mexican oil sales, non-oil sales, and the value added by the *maquiladora* assembly plants in northern Mexico.

Where has that drug money gone? Mexico, too, has been the recipient of suddenly "returning capital" which has buoyed up the stock market to unprecedented heights. Some in the Mexican press have noted with worry, that without that foreign capital pouring into Mexico's stock exchange—no questions asked as to origin—Mexico's capital account balance would have been negative this year.