

Andean Report by Valerie Rush

Peru's economy depends on drugs

The Fujimori government admits that without the cocaine trade, the national coffers would be bare.

On Oct. 19, Peruvian Central Bank (BCR) President Jorge Chávez Alvarez revealed that during the week of Oct. 8-14, his bank had been issuing intis (the Peruvian national currency) for the purchase of dollars on the black market at the rate of \$5-7 million a day, or \$1.8 billion a year. Several weeks earlier, BCR director Martha Rodríguez admitted that "among the dollars the BCR is acquiring are, unquestionably, dollars stemming from drug trafficking."

As if that weren't brazen enough, Agriculture Minister Carlos Amat y León said Oct. 3, "My God, I wouldn't want to imagine what would happen to our country if we eliminated the injection of \$1 billion from this 'productive sector.'" The minister was addressing a seminar of the Peruvian Association of Research Studies, which was presenting a book entitled *Cocaine: Problems and Solutions*. The "productive sector" to which the minister was referring was, of course, the cocaine trade.

At that same seminar, Brig. Gen. Alberto Arciniegas, former military commander in the coca-saturated Upper Huallaga Valley, argued against the eradication of coca crops, insisting that eradication would drive 45,000 *cocaleros*, or coca growers, into the hands of the Shining Path narco-terrorists. Instead, he advocated the solution proposed by the pro-drug legalization Institute for Liberty and Democracy (ILD): Grant property titles to coca-growers as a way of legalizing their "informal" activity and, presumably, of weaning them from

their reliance on the drug mafias and the terrorists. Arciniegas is infamous for having addressed 30,000 coca growers in the Upper Huallaga on the need to defend their crops.

Ironically, a virtually identical viewpoint was offered by U.S. Army Lt. Col. Steven Smallwood, in his address to a roundtable discussion of the Inter-American Press Society, held Oct. 16 in Kansas City, Kansas. Smallwood is a Special Forces Army instructor from Fort Leavenworth, just back from training Peruvian military officers in counterinsurgency techniques. Smallwood's argument was that "the greatest threat which confronts Peru is not the traffickers, but Sendero Luminoso [Shining Path]." It is this insurgency, he argued, which is preventing the government from confronting the drug traffickers. His conclusion: One cannot destroy the coca harvests, because that would force the growers into the arms of the terrorists, upon whom they rely for their livelihood.

Peru's *El Universal* on Oct. 17 encapsulated Smallwood's arguments under the headline, "Eradication of coca crops will fail."

Having presented the standard drug lobby argument against fighting the illegal narcotics trade seriously, Smallwood went on to protest the Peruvian government's recent rejection of \$36 million in U.S. military aid "to fight drugs"—money which was explicitly linked to the deployment of U.S. Special Forces into Peru.

The Washington office of "drug czar" William Bennett, according to

the Oct. 22 *Newsweek*, is similarly "outraged" by Peru's rejection of the aid offer, and is "plotting retaliation" against the Fujimori government. That retaliation, reports *Newsweek*, could mean "a cutoff of at least half of U.S. foreign aid, as well as U.S. votes against Peru at the World Bank and other multilateral lending organizations."

Why people like Smallwood argue against the possibility of winning a war against drugs and narco-terrorism, on the one hand, and argue for U.S. military involvement on the other, goes to the heart of Washington's criminal sabotage of a serious anti-drug effort, both at home and abroad. The fact is that the economic policies imposed by the Bush administration make the "narco-dependency" of such countries as Peru, Bolivia and Colombia the *sine qua non* of their survival. U.S. troop deployments to these countries—as in Panama—has nothing to do with fighting drugs, and everything to do with eliminating the role of these countries' armed forces in defending their national sovereignty.

Journalist Mirko Lauer wrote a devastating description of Peru's narco-dependency in *Página Libre* of Oct. 17. He described the Fujimori government's latest narco-laundering measures as "constituting the drug trade's triumph. The Upper Huallaga thus confirms its condition as principal business partner of the International Monetary Fund/World Bank program of liberalizing the economy. . . . For the legal economy, its options are to destroy drug trafficking, or unite with it. What we cannot continue doing is acting as if the flood of \$1 billion a year in bills which arrive on little Colombian planes don't exist. Instead, the government appears to have begun to count this money in its import plans against inflation. . . ."