

DEA charges Gaviria with pushing dope

by Valerie Rush

The U.S. Drug Enforcement Administration (DEA) released yet another bombshell in its undeclared war against the narco-government of Colombia, when it leaked a classified study to the Colombian newspaper *El Espectador* on Nov. 2, which charges the economic and monetary policies of former Colombian President César Gaviria—today the U.S.-backed secretary general of the Organization of American States (OAS)—with responsibility for the fantastic growth of a narco-economy in that country.

The study, which was produced last September by the financial unit of the DEA's Strategic Intelligence Division and which reportedly includes an introductory message over the signature of DEA head Thomas A. Constantine, warns that Gaviria's "economic reforms stimulated the growth of the financial services industry in Colombia, which is being used by the drug kingpins to legitimize their illicit profits. In addition, essential commercial services across the country are now in the hands of the private sector and, as a result, the financial infrastructure has become more accessible to the kingpins. Further, the privatization of the largest banks in the country together with an exchange market in the hands of private financiers has given the kingpins the ability to covertly influence the policies and operations of certain banks."

Impact on the economy

The report continues: "Much of the money from drugs sold abroad has entered the country as foreign investment, in the majority of economic activities, from investment in infrastructure to investment in the stock exchange. . . . The Colombian government is becoming dependent on the drug industry for a significant portion of its gross national product."

In addition to the infiltration and takeover of Colombia's deregulated banking system, says the report, the privatization of ports and free zones decreed under Gaviria's so-called *apertura* ("economic opening") has assured that "the drug trafficking organizations are subject to minimal or non-existent state controls."

The DEA analysis goes on to claim that "the capital generated by the influx of drugs into the economy has provided the Colombian government with funds to pay the debt"

by boosting the country's reserves: "Ironically, a large percentage of the foreign reserves that are inundating the international reserve accounts of the Colombian government are believed to stem from repatriation of drug profits from the U.S. and European markets. Further, through purchase of government-backed bonds, the Colombian drug lords are investing in their country's future economic development."

The report says that Colombia "could be the first country totally dependent on the drug trade," and warns: "If the Colombian government continues to permit a fall in exports . . . [and] at the same time it permits the substitution of export income with income from illegal sources, the entirety of the Colombian economy will be vulnerable to the volatile ups-and-downs of the drug industry."

Finally, the Drug Enforcement Administration report observes that "while the injection of drug money into the economy has a positive effect in the short term, in the long term the economic dependency on this illicit source of income will have a grave adverse effect on the nation's political, social and economic sectors, and will weaken regional stability. To the extent drug money becomes the primary source of income, the country will become increasingly susceptible to the influence of criminal elements. In sum, the criminal bosses in Colombia will have, *if they don't already have*, a marked influence on the decision-making process of the Colombian government."

Not just Gaviria

Convinced that the Western Hemisphere has its first full-fledged narco-government in Colombia, the DEA—or a faction of it—has been waging less than subtle warfare against both Gaviria and his successor, President Ernesto Samper Pizano, and against those forces inside the United States who back them. As Joseph Toft, the recently retired head of the DEA office in Bogotá, charged publicly after seven years on the job, Colombia is today a "narco-democracy." In various interviews with the U.S. and Colombian media, Toft revealed that the work of the DEA and its Colombian collaborators has been repeatedly sabotaged by extensive cartel penetration into Colombia's governing institutions.

While slamming President Samper as a virtual puppet of the drug cartels, Toft also went after his predecessor. President Gaviria, said Toft, was in possession of video evidence, *made available by the DEA*, that the drug cartels were massively bribing the 1991 Constituent Assembly which banned extradition of traffickers—and yet he never revealed that evidence! Toft added that Gaviria also did nothing to prevent the continued drug trafficking and assassinations conducted by then-imprisoned cartel boss Pablo Escobar.

Toft also claimed that U.S. agencies had long known of Ernesto Samper's corruption by the drug cartels, and that the notorious "narco-cassettes" which surfaced days before this year's presidential elections, and which indicated that Samper had taken cartel bribes, were "just one more piece of

evidence, albeit conclusive evidence,” that the country’s new President was on the take.

This is also not the first time that the DEA has honed in on the narco-economic “reforms” embraced by Gaviria and his successor, and mentored by Liberal Party honcho and former President Alfonso López Michelsen. In late 1991, the head of the DEA’s financial investigations division, Greg Passic, gave a presentation to an Ibero-American conference on banking security held in Bogotá, at which he warned that the exchange and tax amnesties, the bank deregulation, the lifting of restrictions on foreign investment, and other reforms contemplated under the *apertura* “are creating a scenario propitious to the legalization of capital obtained from the drug trade.”

Pressures from the IMF

What Passic did not say at the time, and what only *EIR* has been saying for years, is that these free-market “reforms” are the direct result of pressure from the International Monetary Fund, World Bank, and other elements of the international financial community to turn Colombia’s economy into a vast drug-money laundry to help keep their decaying world monetary system afloat. In fact, at a May 9, 1991 conference in Bogotá on George Bush’s Enterprise for the Americas initiative, Alejandro Scopelli from the Inter-American Development Bank insisted that Bogotá be turned “into an international financial center, like Montevideo is today.” Montevideo, the capital city of Uruguay, was then universally known as the “hot-money” laundry for all of Ibero-America.

At that conference, then-U.S. Ambassador to Colombia Thomas McNamara praised Gaviria’s “economic and structural adjustment reforms,” saying they had created an investment climate in Colombia that “at the present time is one of the best in Latin America. And this has improved even further due to the recent reforms of the exchange statute of taxes, of investment and of the labor code.” That conference was sponsored by, among others, President Gaviria’s Development Ministry, which at the time was run by none other than Ernesto Samper Pizano.

In a Dec. 31, 1991 article on the flood of drug dollars pouring into Colombia, even the *Washington Post* couldn’t help but observe, “This repatriation of drug profits is being facilitated—in a dash of market-economics irony—by the affirmative response of Colombia to U.S. urgings to open up the economy here.”

It certainly gives one pause, in view of the fact that President Samper—a 20-year lobbyist for drug legalization—is currently sponsoring a 20-nation conference on drug-money laundering in Bogotá, which is supposed to hammer out hemispheric guidelines for preventing and punishing the laundering of illicit capital. Included alongside the list of Ibero-American countries in attendance is, of course, the United States.

India moves against weak national banks

by Ramtanu Maitra and Susan Maitra

It has been almost four years since the World Bank, in its 1990 study on India’s financial sector, called for the reform of India’s “inefficient” nationalized commercial banks, and three years since the government-sponsored Narasimham Committee report urged consolidation of the nationalized commercial banks. Finally, on Oct. 17, the Reserve Bank of India (RBI), India’s central bank, announced the deregulation of lending rates for loans above 200,000 rupees. The ostensible purpose of the move is to make money cheaper for investors and at the same time make the banks more efficient.

The RBI announcement to abolish the minimum lending rate was welcomed by trade and industry, and a similar signal was conveyed by all major stock markets in the country. The captains of Indian industry hailed the new policy, because it would enable professionally managed companies to borrow money at cheaper rates of interest. But the bankers are rattled.

The old days

In the old regime of high lending rates, the RBI set a minimum lending rate for the commercial banks, setting the cost of credit unbelievably high. Backed by reasonings such as that the high interest rate is an automatic control over the money supply, and that it encourages higher savings, the high-lending-rate regime served primarily the interest of the government. A large percentage of bank funds was reserved for the government to borrow at a lower rate, whenever necessary.

But there was more to it. To “alleviate poverty,” and to provide incentives to agriculturalists and small-scale industrialists, the government had created a priority-sector lending regime of lower interest rates. What could only have been achieved through the upgrading of technology was attempted by the government through the banking system. The result: The banks were greatly weakened and the government’s populist objectives remain unmet.

In addition, through a very high statutory liquidity ratio, the government has kept almost 75% of the bank money under its control for priority-sector lending, buying of treasury bills, and payments for vote-banks (campaign slush-funds). This regime kept the lending rate astronomically high and starved entrepreneurs of cash. The process turned the banks into non-accountable behemoths where introduction of technology for efficiency became impossible. This arrangement was comfortable for the bankers: It provided a protected environment where no accountability was demand-