

Peruvians suspected of orchestrating capital flight. The central bank has already requested names of dollar-account holders from all Peruvian banks, as well as the names of all those who have sent remittances abroad in the recent period.

The head of the homicide division of the Peruvian Investigative Police (PIP), Col. Leonel Zeballos, was fired Aug. 1, after his arrest for suspected black-market dealing in dollars turned up 870,000 dollars and 351 million Peruvian soles in his possession. Panic among financiers and others has soared, with the illegal dollar now selling for 20,000 soles, up from 12,000 one week ago.

Interest rates have been reduced by 50% while the minimum wage was raised 50% and public employee salaries 15%. The prices of all basic goods were frozen, while exchange policy—including a possible freeze of dollar accounts—is still under discussion in a ministerial council meeting as of this writing.

A critical moment

García's "daring challenge to existing monetary rules," as the *New York Times* described the Peruvian head of state's inaugural pledge, comes at a critical moment for Ibero-America. In September of 1982, the Mexican government of President López Portillo stunned the financial world by nationalizing that country's banks, a move comparable to García's historic break with the IMF. Today, Mexico is on its knees before the Fund, virtually eliminating exchange controls, imposing new, drastic levels of austerity on the population; in effect, committing economic suicide on IMF orders.

Argentina, which dared to confront the Anglo-American neo-colonialists during the Malvinas war, is now busily slitting its own throat on IMF demand. Colombia, whose President Betancur sponsored the Cartagena Group in hope of forging a united front against the creditors, has just signed for IMF monitoring of its economy—without a penny of Fund lending in return!

The rout began when López Portillo's actions failed to receive adequate support from a terrified and divided continent. Alan García's bold assertion of economic independence from the IMF today offers the continent a second chance: It can either serve as a rallying-point for his besieged neighbors, or it can lead to murderous retaliation from the international banks.

The Wall Street Journal summed up the thinking of the latter on Aug. 1: "Perhaps Peru is at the point where its long-term interest lies in learning what does not work, and would be served by an open break with the IMF, and perhaps something as close to foreclosure as banks can manage internationally [emphasis added]." Federal Reserve chief Paul A. Volcker coldly commented on García's declarations: "That kind of approach contains some arbitrary elements that are not conducive to progress on this problem." He added that Peru's chances for improving its financial situation will be hurt by García's "unrealistic" proposals.

Peru's new government has, in addition, been snubbed

by its erstwhile socialist brothers. Socialist International head Willy Brandt did not even bother to attend García's inauguration. Fidel Castro, enraged at García's refusal to send a delegation to his debt conference, sent what one diplomat in

García vows to fight drugs, terrorism

President Alan García's strong denunciation of the twin evils of drugs and terrorism disappointed many of Peru's pro-terrorist left who had hoped for an indiscriminate amnesty for the Shining Path (*Sendero Luminoso*) terrorists and drug mafiosi. His denunciation probably disappointed the IMF even more, since it is drug money which the IMF has promoted ("incorporating the informal economy into foreign exchange flows") means for Peruvian debt payment.

In his inaugural speech, he declared: "Democracy must have authority and energy, and must not allow subversion and much less death, because we will not withdraw one single step in the face of terrorism, whatever its origin or inspiration, whether leftist or rightist. . . ."

García called for the formation of a peace commission, similar to that created by his Colombian colleague Belisario Betancur, to "do the groundwork for dialogue to persuade the misguided to return to democracy and abide by its principles."

He was equally forceful on drugs: "A historic scourge threatens our country: drug-trafficking, whose prospects of sudden fortune corrupt people and has destroyed many Peruvian institutions. Neither Peru nor any other country can permit itself to be identified as an exporter of poison. To the President of our fraternal Colombian nation, I propose that we strengthen our coordinated action to improve our bilateral police action in order to totally eradicate drug trafficking."

The Peruvian daily *Marka*, a vehicle of pro-terrorist factions in the Peruvian left, was so angered by García's refusal to exonerate the Shining Path butchers that it condemned the entirety of the speech. Lima Mayor Alfonso Barrantes, head of the United Left coalition, stated after the speech that he "had no opinion on it yet,"

Some of the bases of the United Left, however, gave support to the García program. The speech thus split the nationalist left away from the pro-terror, pro-drug apparatus that has served as the IMF's protection racket in the country.