

Project Democracy candidate is obliterated in Peru

by Peter Rush

The Peruvian electorate on April 8 resoundingly voted against both communism and Thatcherite liberalism, in the first round of presidential elections. The darling of U.S. neo-conservatives of the "Project Democracy" stripe, Mario Vargas Llosa, who once had more than 60% backing according to polls, garnered just over 30% of the votes. He is now almost certain to lose in the second round in two months. His defeat has sent a loud message that, when given a choice, people do not vote for Thatcherite "free market" austerity policies. And the socialist and communist left, which received 25% of the votes in 1985, received less than 10%, split between two candidates.

The surprise winner of the first round of the elections was Alberto Fujimori, who promised to raise income levels, not lower them on the Thatcherite model. He rocketed from 3% support just one month before the elections, to 30% on election day, ensuring himself a run-off spot against Vargas in the second round elections June 3. The collapse of support for Vargas was due in large part to rejection of his "shock" economic program, which he promised would lead to widespread layoffs and economic recession.

Also crushed was the ruling APRA party, widely blamed for the country's devastating economic crisis. The APRA candidate, Luis Alva Castro, received only about 15%, as against more than 50% for APRA in 1985. While APRA and the left attacked Vargas for his shock policy, all three parties espoused their own variants of austerity policies only slightly less radical than his.

The defeat for Vargas, a radical libertarian, is also a defeat for the international network that has been pushing Thatcherite liberalism throughout Ibero-America. The Liberty and Democracy Institute (ILD) of Hernando de Soto, an asset of the Washington-based Project Democracy apparatus, saw Vargas as its candidate, who was thought to be a shoo-in until just

a few weeks ago. A leading U.S. backer of Vargas, former U.S. Ambassador to the United Nations Jeane Kirkpatrick, eulogized Vargas Llosa in a syndicated article one week before the election, gushing that his victory "will give the world an example of a Latin version of government by a brilliant, creative intellectual who knows his times as well as his country."

Nothing could have been further from the truth. It is now clear that Vargas Llosa's 60%-plus margin in early polls represented support that was a mile wide and an inch deep. It was based largely on the fact that he was viewed as the only credible alternative to the discredited APRA party. This support evaporated in the final weeks, as Fujimori came to be seen as a viable alternative.

Vargas Llosa's shock program

Vargas Llosa based his campaign on promising to implement an "orthodox shock" of the type visited on Bolivia in 1986, whose program, designed by Harvard economist Jeffrey Sachs, has destroyed every sector of the Bolivian economy except drug production. Now being applied also in Poland, such programs fight inflation by freezing liquidity, leaving industry without the means to operate. The result is mass layoffs, deflation, and economic depression, as Poland is now experiencing.

Only "shock therapy," Vargas said, "applying the program without any kind of gradualism," will kill inflation. He proposed to free all prices, wages, and exchange rates, which would immediately unleash higher inflation and lower real incomes. He promised to raise taxes, auction off 200 government-owned enterprises, end restrictions on foreign trade, and fire up to 500,000 state employees—half the government workforce. He also said he would reverse one of the few popular measures of the present government, its break with the

International Monetary Fund. "Approval from the IMF is always needed to get out of poverty," he said on March 14.

Vargas's campaign paid a fortune for a U.S.-style media blitz. Vargas retained the New York City firm of Sawyer/Miller, which was paid a reported \$1 million since last October to advise the campaign. Overall, the campaign spent \$12 million, largely on advertising, a sum far larger, proportionally, than that spent by either Reagan or Bush in their election campaigns. The extravagance of the Madison Avenue television ads, contrasted with the poverty afflicting most Peruvians, caused revulsion among Peru's poor.

So far out of tune with the average Peruvian were Vargas and his campaign staff that, early in the race, they aired an ad showing a monkey, meant to symbolize a bloated government bureaucracy, eating a banana, accepting a bribe, and finally swinging from the rafters and defecating on the desk. The negative reaction was so strong that the campaign hastened to pull the ad off the air, while the APRA tried to pay to have it continue.

Vargas, a haughty member of the white oligarchy that has ruled Peru for most of its 450-year history, had no contact with, and no rapport with, the large majority of the population who are Indian or of mixed race. Fujimori, by contrast, was seen as more Peruvian than Vargas, despite his Japanese descent, because he based his campaign on personal contact with the poor, largely darker-skinned majority.

Finally, Vargas's revolting personal characteristics were well known. A pornographic novelist who entitled one of his books *The Perpetual Orgy*, his first wife was his aunt, and his second wife his aunt's daughter. The stench of incest around him has always been strong. An avowed agnostic in a devoutly Catholic country, he wrote in one of his novels that human beings have an "incurable materialism," a "predilection for the pleasures of the body over those of the soul, a preference for the earthly life over anything else. . . . [This is] what religion and Western morals have barbarically combatted throughout history."

'Work, honesty, and technology'

The contrast between Vargas and Fujimori could not be starker. Fujimori, a mathematician and agricultural engineer by training, was head of the National Agrarian University until he resigned to run for President last fall. A devout Catholic, he also hosted a television show for several years which focused on economic and social issues. He had no prior political experience, received almost no media coverage, and until a month before the election, was given less than 3% of the vote in polls.

But as Vargas began spelling out the full extent of his proposed austerity measures in March, popular interest in Fujimori began to zoom. He campaigned in Lima and from town to town in other parts of the country riding on a tractor, preaching the necessity of using technology to overcome Peru's economic crisis. "Work, technology, and honesty" was

his campaign slogan, and a picture of a tractor was his campaign symbol. While he never spelled out in detail a program for dealing with inflation or recession, much less drug trafficking or the guerrilla threat, he inspired those who saw him with his honesty, and with the fact that he was not a politician. His movement was seen as "technocratic, humanist, scientific."

Peru's Japanese minority is highly regarded by most Peruvians for their industry and honesty, and Fujimori played on the hope that he could attract significant economic assistance from Japan if he were President.

Explaining how Fujimori could have won without advertising, a leftist Lima city councilman quoted in the *Washington Post* of April 10 said, "There are other means of communicating in Peru. People talk to each other. Word gets around. [Vargas's campaign] didn't understand how the country really works." The proof of this was the drubbing Fujimori administered to Vargas in dozens of remote Andean villages, where most people speak the Indian language Quechua, have no electricity or television, and where word of mouth is the only means of communication.

Fujimori has announced that he will release details of his program on April 16. However, during the campaign, he and the party he founded last year, Change 90, called for revitalizing the country's collapsed agriculture, industry, and infrastructure, based on raising demand, but also on offering fair prices to farmers, and on investment in agriculture and industry. He also said that such measures were the first step toward combatting the Shining Path terrorists.

Fujimori also made clear that he favored retaining tariff protection for national industry for a period, and would only privatize parts of the state sector industries slowly, in contrast to the programs of his opponents.

The night before the election, Vargas's campaign rented the entire Sheraton Hotel in downtown Lima for their planned victory celebration. Vargas himself announced that after the election he would rest for 24 hours before announcing his cabinet. Stunned by the returns showing him only neck and neck with Fujimori, he canceled the celebration, and asked Fujimori to withdraw and spare Peruvians another election. But hours later, rumors circulated that it was Vargas who had decided to withdraw. Pressured by the right-wing coalition Fredemo, which had backed him, he withdrew his resignation. But on April 11, the press again reported that he was likely to announce his resignation as a candidate, amid rumors that he intended to take off for Europe for at least a month to pursue his writing—hardly likely to win him votes in the second round.

By contrast, Fujimori said he looked forward to the second round, and announced that when elected, he would form a non-party government composed chiefly of technocrats, to tackle the economic problems. If Vargas remains in the race, all observers believe that Fujimori's victory is all but assured.

Fujimori wants science and technology for Peru

In an interview with the Peruvian daily La República of March 17, Peruvian presidential frontrunner Alberto Fujimori answered a question about his government program:

In the first place, what we want is a more technified government . . . without creating a technocracy. It is necessary for the country to begin to solve its programs and not engage in endless back and forths. . . . The first measure is moralization. . . . All propose it, but there are some who lack the moral authority to speak of moralization. We must moralize

the country and eliminate corruption as quickly and strictly as possible.

The second task is agrarian development. . . . I propose the mechanization of 800,000 hectares of national agriculture. In Peru, there are 1,200,000 hectares that can be mechanized, of which 400,000 are more or less mechanized. With this, productivity is increased. In the second place, great projects must be carried out. . . .

I am not going to impose a shock policy, because that would mean a drastic paralysis of demand. I would do the opposite; that is to say, seek an increase in supply, particularly in food supply. If production is increased, then prices fall. . . . The increase in consumption [inspired by the ruling APRA party] was intended to reactivate the economy. But unfortunately, reactivation was not complemented by a massive investment program, which would permit us to create at least 1 million jobs within a two-year period. For this, a minimal investment of at least \$2 million is required in the first year, and a similar amount in the second. These investments must stem from international technical cooperation.

Vargas Llosa's campaign against mercantilism

The vote against Mario Vargas Llosa represents a devastating defeat for the continent-wide network of "free enterprise" institutions created, financed, and promoted by what Lt. Col. Oliver North hailed as the "Project Democracy" secret government apparatus in the United States. That network was put in place to do battle with national industrialist forces and with those elements in government committed to fighting their way out of underdevelopment with science and technology—in short, to do battle against the mercantilist world view.

Mercantilism is, in fact, identified as *the* enemy in Ibero-America by the institute personally associated with Vargas Llosa in Peru, Hernando de Soto's Institute for Liberty and Democracy (ILD). Best known for its 1986 book *El Otro Sendero (The Other Path)*, the ILD is a Project Democracy showpiece, heavily funded by Rockefeller's Americas Society and by Project Democracy's own Center for International Private Enterprise (CIPE). Peruvian oligarch De Soto is himself a creation of the Milton Friedman/Mont Pelerin Society/Friedrich von Hayek circles internationally, which champion the "invisible hand" and "freedom of the marketplace" as the pre-

texts for legalization of what they call the "informal," "underground," or "black" economy—the illegal economy which is dominated by one source of funds the dope trade.

Vargas Llosa is not only a board member of the ILD, but is credited as the inspiration behind *The Other Path*. Vargas Llosa's prologue to the book—which has been endorsed by such luminaries as Ronald Reagan and former U.S. Assistant Secretary of State for Inter-American Affairs Elliott Abrams—describes the informal economy as "in many respects, more authentically hard-working and creative than that which usurps the title of 'legitimate.'" That same "informal economy" is endorsed by Peru's Shining Path narco-terrorists as "providing the basis for a new economic system." In *The Other Path*, one finds the argument that "the informal institutions and the protected space they have created now permit anyone to confront the mercantilist state instead of succumbing to its yoke."

The ILD is but one of more than a score of similar such institutions worldwide which claim credit for creating the ideology of Thatcherism, now going down to ignominious defeat in England. These include the Adam Smith and David Hume Institutes in London, the Manhattan Institute, Mid-America Institute, and Pacific Institute in the United States, and various ILD clones in Mexico, Venezuela, and elsewhere. A unifying theme of all of them is the need to use the "informal" (i.e., illegal) sectors within developing nations to "stabilize the region's debt-ridden economies."