

The result of choosing *The Other Path* in Ibero-America

by Gretchen Small

As 1987 opened, American nations looked hopefully for a radical change in Reagan administration policy toward Ibero-America. The evidence turned up in the Iran-Contra scandal was one reason. The Contras and their controllers were involved in drug running and in buying Soviet weapons. The U.S. had based its strategy against Soviet incursions in the Hemisphere upon part of the Soviet narcotics empire!

With the Contra policy discredited, the United States would return, it was hoped, to a policy of basing hemispheric defense upon cooperation with the *nations and militaries* of the region.

But on Jan. 23, Assistant Secretary of State for Inter-American Affairs Elliott Abrams announced emphatically: no. Support for the Contras would continue to be the test of loyalty for U.S. allies. He insulted the Contadora Support Group, formed by the eight leading nations of Ibero-America, calling them a bunch of "leftists" because they opposed the Contra policy.

The immediate dismissal of Abrams is "indispensable to regain some degree of credibility for the United States in Central and South America," *EIR* founder LaRouche responded. As long as Abrams continues in office, it "will be construed as the administration's commitment to failed economic and political strategies."

As 1987 closed, Abrams is still in office, and the Project Democracy cabal which cooked up the "narcontra" disaster has tightened its grip on U.S. policy. U.S. credibility in the Americas is at its lowest level since Teddy Roosevelt's regime.

Radical libertarian assault

Abrams's Project Democracy group has declared the major enemy in the hemisphere to be the existence of strong nation-states, and militaries to defend them.

That agenda was set out in State Department Special Report No. 158, issued in March. Entitled *Democracy in Latin America and the Caribbean: The Promise and the Challenge*, SR 158 calls for "new values [and] organizational diversity" to replace the institutions which have formed the backbone of the Ibero-American republics—the labor movement, the Catholic Church, and the military.

Not narco-terrorism, but "the pervasiveness of hierarchical structures with deep historic and cultural roots has created ingrained authoritarian habits," and is therefore the great

threat to democracy in the Americas. Cited as the worst offenders are "religious and military institutions—the 'cross and the sword'—of the Spanish Conquest, key pillars of traditional order ever since."

A chief instrument of this policy has been the Center for International Private Enterprise (CIPE), and its star project, Hernando de Soto's Institute for Liberty and Democracy (ILD) in Lima, Peru.

In November 1986, the ILD published *The Other Path*, billed as a "manual" on how the "informal economy" can be tapped as a new source of wealth to pay the debt and return to growth. Book in hand, de Soto began traveling from country to country, proposing the legalization of the black economy as the answer to the region's ills.

The strategy was simply to legalize the narcotics trade, by far the largest component of the black economy.

Advertisements hailed the book for devising "a Latin American strategy destined to limit the powers of our states." Those who actually read the book, discovered pure libertarianism. The existence of a nation-state itself oppresses freedom, *The Other Path* argues. "We must imbibe the norms of extra-legality" to defeat it.

Peruvian novelist Mario Vargas Llosa wrote the introduction and provided the inspiration for the book, ILD members say. Vargas Llosa captures the essence of the libertarian worldview of Project Democracy. A follower of fascist philosopher Nietzsche, Vargas Llosa has dedicated his life to combatting religion and morality as an "oppression" of individual "rights."

As he wrote in his book, *The Perpetual Orgy*, "Our incurable materialism, our predilection for the pleasures of the body over those of the soul, our respect for the senses and instincts, our preference for the earthly life over anything else . . . are what religion and Western morals have barbarically combatted throughout history."

CIPE and the Rockefeller family's Americas Society backed up de Soto's work, financing a huge publicity campaign throughout the continent. By spring, *The Other Path* had become the Americas' best-seller.

On May 1, in a speech before the Association of American Chambers of Commerce, Elliott Abrams declared *The Other Path* to be the official policy of the Reagan administration. Praising de Soto, Vargas Llosa, and the ILD, Abrams stated that the answer to the economic crisis is "legalizing the

so-called parallel markets. . . . Free markets may exist only in the informal economy, which does not enjoy the protection of the law.”

Naming the enemy

While they had grabbed headlines, de Soto and his “other path,” were still viewed as a bit crazy, a new gimmick on the debt which clearly had big money behind it, but whose real purpose was unknown.

EIR identified that purpose in its Special Report, *Project Democracy: The “parallel government” behind the Iran-Contra affair*, released in April. *Project Democracy* rocked the policy elite of the American nations, reaching every President’s office, and passing from hand-to-hand through nationalist military layers, businessmen, trade unionists, and Catholic analysts.

The report answered the question, *why?* Project Democracy is committed to ensuring that out of the world economic collapse, a new global fascist order is imposed upon the West.

Others joined in the attack. *The Other Path* is “an imperial project,” which “by interpreting the spread of the informal economy as the solution to the social problems of our countries, is a fallacy, an assault on reason and intelligence,” Mexican economist Manuel Aguilera wrote in a June 3 commentary in *Excelsior*. “It is a poor concept of freedom, indeed, that encourages the freedom of poverty.”

On June 10, Brazilian Deputy Luiz Salomão protested from the floor of the Constituent Assembly that there was “an international conspiracy to prevent [Brazil’s] new Constitution from asserting Brazil’s economic sovereignty.” He named seven members of the Assembly who, he charged, were working with CIPE and the National Endowment for Democracy, citing an *EIR* memorandum on Project Democracy’s networks in Brazil, which he inserted into the Assembly record.

In July, the Catholic bishops of Colombia also warned that “leaving a population without land and without jobs, delivered without hope to the informal economy . . . encourages conflicts promoted by ideologies that dissolve the bonds of nationality.”

Bankers’ revolutions

CIPE’s anti-state strategy moved quickly from theoretical arguments, into action. Panama was its first target. In June, opposition groups formed a “Civic Crusade” with the declared intent of overthrowing the government and installing a new one based on the libertarian principles championed by Project Democracy. The Crusade’s “civic resistance” began—with riots, demonstrations, and economic sabotage.

Led by bankers and businessmen financed by CIPE, the Crusade focused its attack on Panama’s military. “Panama does not need an army,” the insurgency’s daily, *La Prensa*, proclaimed on July 19. It was a true anarchists’ war cry: “To

have a valid and true democracy, we must dismantle the misnamed Defense Forces, Civil Police, Coast Guard, and Border Police. . . . Until we do this, we will not have democracy in Panama.”

The Crusade has failed to win support from Panama’s workers or poorer citizens, but it is counting on its economic sabotage to create conditions of mass unrest. With 80% of its economy owned by foreigners (the perfect example of the “open” economy sought by Project Democracy), Panama is very vulnerable to economic warfare.

In August, CIPE’s “bankers’ revolution” exploded in Peru, against President Alan García’s attempt to nationalize Peru’s banking system. (Peru’s banks laundered a minimum of \$3 billion a year in narcotics money, and refused to provide credit for domestic industry.) Bankers and the ILD struck back. Just as in Panama, middle-class protesters took to the plazas to proclaim “the people’s right . . . to rise up in insurrection.”

The star of the new “civic resistance movement” was Mr. Perpetual Orgy himself, Mario Vargas Llosa, now hailed as the “democrat” who will rule Peru in 1990.

On Sept. 27, President Ronald Reagan declared in a speech before the U.N., “Development is not itself a right.” Reagan’s speech was Project Democracy’s moment of glory. The President of the United States had accepted their strategy. “We’re all familiar with the phenomenon of the ‘underground economy.’ The scholar, Hernando de Soto, and his colleagues have examined the situation of one country, Peru, and described an economy of the poor that bypasses crushing taxation and stifling regulation. This ‘informal economy,’ as the researchers call it, is the principal supplier of many goods and services. . . . The free market is the other path to development, and the one true path.”

Reagan administration officials would do well to heed Rio de Janeiro’s Archbishop Eugenio Cardinal Sales’ warning of March 20, that if drugs and gambling are legalized, “Good men and drug merchants or sellers of chance and sex will stand as equals before the law. And is there any country which could survive that for long? The apparently immortal Roman Empire fell victim to a virus—perhaps another type of AIDS—which corroded it.”

“A false conception of freedom cannot erase the distinction between good and bad. Freedom is man’s capacity to realize [his potential], choosing the path of what is objectively good and just,” the Argentine Bishops’ Conference warned on Aug. 5.

It was a warning echoed by the Brazilian military on Nov. 27. “There is a proliferation of those who . . . are participating in a process of social disintegration and perversion of values,” an armed forces statement read. “The different forms” being used to “impose a totally foreign system of government upon the aspirations of the Brazilian people,” include “promotion of organized crime, drugs, and moral permissiveness.”