

Andean Report by Peter Rush

'Menem's Maneuver' prepared for Peru

President-elect Fujimori is walking in the footsteps of Argentina's Menem, who quickly became a bankers' boy.

In Lima, it's called 'Menem's Maneuver.' You win the elections with the murky populist message of the classic Latin American mold, then move your government to the right." Thus wrote columnist Carlos Alberto Montaner in the *Wall Street Journal* June 18 concerning the post-election situation in Peru. His coinage "Menem's Maneuver" refers to Argentine President Carlos Menem, who was elected as a Peronist, but who adopted a radical monetarist, free market program as soon as he was safely installed in the presidential palace.

Montaner's reference was in the form of a warning to Peru's President-elect Alberto Fujimori that if he doesn't junk what Montaner called his "leftist, demagogic guise," he runs the danger of being overthrown in a coup. Montaner painted a picture of tanks surrounding the government complex, and said that "to avoid this nightmare, it is possible that Mr. Fujimori will have to govern as Mr. Vargas Llosa would have done."

Mario Vargas Llosa was the ultramonetarist candidate whom Fujimori defeated June 10 in a landslide election.

While Fujimori has still to name his cabinet, or define his economic program, most signs indicate that Fujimori has needed little prompting to do just what Montaner called on him to do, despite his vague rhetoric about national development programs.

The strongest signal of Fujimori's intent is his manifest connection to Hernando de Soto, head of Lima's

Liberty and Democracy Institute (ILD). He has met with de Soto twice, for several hours each time, in the first ten days since his election, and he told *Expresso* newspaper that he was considering appointing De Soto as his prime minister.

De Soto is one of the most dangerous men in Lima, because he combines the worst free market, anti-development perspective with a populist base among Lima's millions of poor people. De Soto, born to a Peruvian oligarchic family, trained in Switzerland, and on the board of several Swiss companies, published a book *El Otro Sendero (The Other Path)* in 1987, now the bible of his movement.

His decade-long campaign has targeted what is known in Peru as "mercantilism," that is, the partnership of the government and private business to develop the economy, with the state having the role of investing in infrastructure, protecting developing new industries from cheap imports, and ensuring available credit.

De Soto opposes to this the total deregulation of state controls, the ending of protection for domestic industries, and, above all, the primacy of the "informal economy"—e.g., drugs—as the engine of development. He claims to see in the micro-industries that have proliferated in Lima, from street vendors to microbus drivers, and handicraft and home pieceworkers, the basis for regenerating the moribund Peruvian economy.

At the same time, De Soto and the ILD have close ties to Gustavo Gutierrez, the father of "liberation

theology," making the ILD a happy marriage of Marxism with economic liberalism. The ILD appeals to Lima's poor by telling them that their poverty is really "people's capitalism" and should be the basis for growth.

Although De Soto maintains that he will not accept a post in the new government, Fujimori's first vice president, Maximo San Román, spewed out De Soto's line on mercantilism at a recent forum on "working together" held in Lima. "One condition for achieving a national consensus is that businessmen must renounce mercantilism and speculation" he said.

Fujimori has announced that he will visit the United States, Japan, and South Korea before his inauguration in order to secure Peru's reinstatement into the international financial system—and he intends to take De Soto with him. Fujimori has made clear for some time that he intends to resume paying interest to the International Monetary Fund, despite the extreme bankruptcy of the Peruvian government's finances.

The international press has joined the chorus "warning" Fujimori that the only hope for him, and for Peru, is to follow the example of Argentina, Brazil, and Venezuela in adopting strict liberal economic measures. Harvard's Jeffrey Sachs, the designer of Bolivia's disastrous economic policy, and whose program is now wrecking Poland, arrived in Peru on June 17 to peddle his "shock" policy of draconian cutbacks in government budgets and employment, sharp devaluation, and free trade. CONFIEP, Peru's premier businessman's association, announced June 18 that it is co-sponsoring a program designed at the Brookings Institution of Washington, D.C. being supervised by none other than Jeffrey Sachs.