

## Andean Report by Cynthia Rush

### 'Rasputin' De Soto dominates Peru

*Hernando de Soto's policies are ending the war on drugs, and his power is replacing the elected institutions.*

Peruvian President Alberto Fujimori will be visiting Washington at the end of February, to meet with President Bush to sign a bilateral agreement on drug-trafficking after several months of bickering with the Bush administration over the accord. Recently, Bush has expressed his pleasure at the Fujimori anti-drug program, and diplomatic sources in Lima are predicting that the State Department will almost certainly certify Peru on March 1 as a country which is collaborating with the U.S. in combating the drug trade.

But Fujimori's proposal has nothing to do with fighting drugs. Rather it is a proposal for drug legalization, drawn up by his personal adviser Hernando de Soto, the Swiss-trained guru of the "informal economy" whose position as the power behind the government has just been consolidated as part of a cabinet reorganization. As the Lima-based magazine *Oiga* pointed out in a recent editorial, De Soto should be called "the Rasputin of Lima," because he has been making all decisions for the Peruvian government.

De Soto's proposal does *not* call for curbing drug-trafficking, but rather insists on substituting cultivation of other crops for coca, little by little, within the framework of the "informal economy" and free-market economics. An all-out war on drugs is unacceptable because it would "alienate" coca producers, he claims. The program enjoys enough international support that, according to the Feb. 23 *El Comercio*, the U.N. Development Program (UNDP) is willing to give

Peru \$5 million to aid in crop substitution.

George Bush can't say enough in praise of De Soto. It is known that Bush has at his bedside De Soto's book, *The Other Path*, in which the author elaborates his notion of the "informal economy." De Soto is a key asset of the U.S.-based "secret government" apparatus known as Project Democracy, which finances his Lima-based Institute for Liberty and Democracy (ILD). Several ILD officers now hold key ministerial and diplomatic posts in Fujimori's government.

He is also a devotee of Liberation Theology, whose concept of government was exemplified in Sandinista Nicaragua. The father of Liberation Theology in Ibero-America, the Peruvian Gustavo Gutiérrez, is the godfather of one of De Soto's sons.

As many analysts in Lima are now warning, the Fujimori/De Soto program necessarily implies a destruction of national institutions, replacing them, in the name of "democracy," with a form of dictatorial control.

In a Feb. 18 editorial in *Oiga* magazine, director Francisco Igartua charged that the government's plan is to eliminate the Congress. "For half a year, the Constitution hasn't been in effect," he said. "In ever more open fashion, power is in the hands of those who hold no official positions. . . . What Hernando de Soto and President Fujimori intend is to dissolve the Congress and make informality the golden rule of the new Peru. . . . They are engaged in overthrowing the structures of our republican past."

The creation on Dec. 5, 1990 of

the Autonomous Authority for Alternative Development (AAAD), offers one example of how the process is functioning. Established by decree and run by De Soto, the AAAD will administer the government's development plan for the coca-growing regions of Peru through the creation of "enterprise zones where the economic activities are going to be deregulated." The agency will operate outside any ministry, will report only to Fujimori, and will not be accountable to anyone else.

The program's next phase is what De Soto refers to as the "Democratization of the State," a plan to undermine legitimate institutions. The scheme demands that, prior to making any important decisions which will affect the country, Fujimori and his cabinet must consult the population through plebiscites and public hearings. Fujimori had said on Feb. 14 that his government will establish a process "under which all new government regulations must be published beforehand and submitted to popular debate by means of public meetings," according to *Oiga* magazine.

*Oiga* director Francisco Igartua charged in the same Feb. 18 editorial that, like the narco-terrorist Shining Path group, "the Fujimori regime . . . wants to destroy everything in order to construct a new state from the ashes of ruin. A 'popular republic of new democracy' is the Shining Path offer, while Fujimori and De Soto offer us a direct democracy, with referendum." Another article in the same issue of *Oiga* reported that Fujimori and De Soto would act "in agreement with the ILD, which already has one minister in the cabinet (the new Finance Minister, Carlos Boloña), an ambassador in Washington (Roberto McLean, De Soto's personal attorney) and the top state radio and television executive (José María Salcedo)."