

Peru elections pit Humala against Fujimori in second round

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The nationalist candidate of Gana Peru (Peru Wins), former army officer Ollanta Humala, won the first round of the presidential election in Peru. With 80 percent of the votes counted by ONPE (National Office of Electoral Process), Humala held a comfortable lead, with 30.5 percent. He was followed by Keiko Fujimori of Fuerza 2011, with 23 percent, and Pedro Pablo Kuczynski of Alianza para el Gran Cambio (Alliance for the Big Change), 20 percent.

Former president Alejandro Toledo, who led in the polls throughout the presidential campaign period only to be surpassed by Humala two weeks before election day, came in fourth place with 15.2 percent. Luis Castañeda, former mayor of Lima, got only 10.6 percent.

Humala's Gana Peru won in 15 departments (the equivalent of provinces or states), mostly in the south and center of the country. Fujimori's Fuerza 2011 won in five regions in the north, as well as one department to the south of Lima. Kuczynski, universally referred to as "PPK" in Peru, won Lima and the seaport of Callao—winning by a very large margin in the wealthy and upper middle class districts, but losing to Humala, Fujimori and Toledo in the lower middle class, working class and poor districts. Toledo won in Loreto, Peru's northernmost region in the Amazon basin.

The Peruvian stock exchange reacted negatively to the news of Humala's win. As of mid-day Monday the market was down. According to the *Wall Street Journal* online, "The Lima Stock Exchange's broad General Index was down 3.05 percent at 20,598.48, while the Selective Index of blue chips was 3.17 percent lower at 28,264.33. The key mining subindex was off 2.75 percent."

Explaining the reason for the fall in share values, Roberto Flores, senior analyst with brokerage Inteligo, told the *Journal*, "Investors had incorporated this [a win for Humala] but thought support would be about 28 percent, instead he has about 30 percent to 31 percent support."

The election result was the one least favored by Peru's ruling elite, which backed PPK, and, failing that, would have preferred that Toledo or Castañeda—rather than Fujimori—face Humala in the second and decisive election.

Once Humala rose to first place in the polls a couple of weeks before election day, the bourgeoisie, through its main newspaper, *El Comercio*, intensified its campaign for PPK while hedging its bets with Toledo. This meant depriving Castañeda of any real possibility of facing Humala.

When polls indicated that Kuczynski had a chance to beat Humala, the bourgeoisie decided to back him and drop Toledo. This was made clear when the candidate of Alianza para el Gran Cambio received a last-minute endorsement from Apra, the party of incumbent President Alan Garcia. The endorsement reflected the consensus within the ruling elite and its foreign partners that PPK—an investment banker and partner in a US private equity fund—was the best man to continue with the economic model that had made them so wealthy.

Having endorsed Toledo, the Nobel Prize winning Peruvian novelist Mario Vargas Llosa described a runoff election between Humala and

Fujimori as the equivalent of Peruvians being forced to choose between "cancer and AIDS."

A crusader for free markets, Vargas Llosa sees a danger of dictatorial rule in both candidates. Like other members of the Peruvian financial elite, he fears that a Humala presidency will challenge the current economic model and move the country in the direction of Hugo Chavez's Venezuela, which is anathema to Peru's ruling class. For her part, Keiko Fujimori represents the continuity of the presidency of her father, Alberto Fujimori, who assumed dictatorial powers after closing congress in 1993 and presided over massive human rights abuses and corruption. A cornerstone of Keiko's program is her vehement defense of the 1993 constitution, imposed by her father, which struck down virtually all restrictions on foreign capitalist penetration of Peru.

Notwithstanding the fears of Vargas Llosa, the election has brought to the surface the pervasive social divide in Peru that is the outcome of an economic growth model based on free trade agreements, full protection to foreign capital and the elimination of basic labor rights.

The intense social inequality that prevails in Peru is widely recognized by foreign and national political analysts and the presidential candidates themselves.

The *New York Times* wrote that the Peruvian election "has also highlighted an apparent paradox in which Peru's booming economy masks deep discontent with its politics."

Accepting his defeat at the polls, former president Alejandro Toledo said: "The country expressed its anger at the polls."

Javier Diez Canseco, who received the most votes of any candidate for congress, running on Humala's Gana Peru ticket, declared: "This has been a critique of the current political system." Diez Canseco is a well-known figure who has spent most of his career in the Peruvian congress as a left nationalist politician.

Quoting from a new report by the World Bank, the *Times* said: "Despite a nationwide boom fueled by commodities exports, inequality persists, especially in the high-altitude rural areas, where 66 percent of the population remains poor and about a third are mired in extreme poverty."

The World Bank report, the *Times* notes, establishes that "though incomes among poor Peruvians had climbed in recent years, incomes among Peru's rich had risen faster, opening opportunities for a candidate who emphasizes the resentment among those feeling left behind."

Humala promised to increase taxes and royalties on mining companies to help fund social programs.

Reestablishing labor rights taken away by Fujimori's 1993 constitution is also part of his election platform. The candidate of Gana Peru advocates economic development through a "partnership" between the Peruvian state and domestic and foreign capital, with Peruvian nationals as majority owners. In order to accomplish these goals, Humala said he will change the 1993 constitution and review all trade agreements signed with foreign corporations and governments.

Keiko Fujimori based her campaign on a defense of her father's so-called "accomplishments." Though the current economic model was imposed by former president Alberto Fujimori, after he closed down congress in 1993, established a police state and carried out a sweeping program to privatize national enterprises and natural resources, Keiko Fujimori's father did use some of the money to create schools, hospitals and other infrastructure programs that benefited the poor.

During her presidential campaign, Keiko Fujimori has also exploited the support among a substantial layer of Peruvians for her father's prosecution of a "dirty war" that defeated the Maoist-oriented Sendero Luminoso (Shining Path) guerrilla movement.

The former president is serving a 25-year sentence for embezzlement and for having ordered the kidnapping and assassination of a professor and several students at La Cantuta University by a government-sponsored death squad known as Grupo Colina.

Significantly, Humala is also implicated in this dirty war, which claimed the lives of at least 70,000 Peruvians. He is accused of carrying out the killing and torture of civilians while serving as an army commander in the Peruvian highlands in 1992. In 2000 he gained national prominence by leading an abortive military uprising against corruption. His early political views were shaped by his father, the founder of *etnocacerismo*, an ultra-nationalist movement with fascistic overtones.

In the 2006 election, Humala also won the first round. He lost to Alan Garcia of Apra by little more than five percentage points in the second round. Since then, Humala has moved to the center, ditching his radical rhetoric of five years ago and calling for dialog to implement his proposed program. As confidential US embassy cables recently released by WikiLeaks have exposed, he has made regular visits to the US ambassador to convince Washington that he is a man who can be trusted to defend "stability."

As in 2006, there is little doubt that the ruling elite will end up supporting the "other candidate"—Keiko Fujimori. With all other major candidates being opposed to reviewing the 1993 constitution, a Humala government will quickly find itself at odds with a congress in which his party, though having won the largest number of seats, only controls 32 percent of the votes.

To change the constitution would require an alliance with one or two other forces with substantial representation— Fuerza 2011 of Keiko Fujimori, with 27 percent, Peru Posible of Alejandro Toledo, 17 percent, Alianza para el Gran Cambio of PPK, 13 percent, and Solidaridad Nacional of Castañeda, 8 percent. Apra, the party of incumbent president Garcia, won just four seats—3 percent—barely reaching the minimum required to keep its status as a legally recognized political party.

It is highly unlikely that Humala can succeed in forging the alliance he needs, since his four rivals base their programs on assuring the ruling elite and foreign capital that they will maintain the same economic model.

To have an executive and legislative at odds with each other is not something foreign capital wants to see. In financial jargon, such a setup would eventually increase country risk. As a result, the spread on Peruvian sovereign and corporate debt will rise, making it more expensive to borrow money; the Peruvian currency will devalue, hurting exports, and foreign investments will decelerate or even begin to leave the country.

Immediately following the election results late Sunday, *Bloomberg-BusinessWeek* wrote: "The cost of insuring Peru's debt against default rose to its highest since 2009 last week on concern a Humala presidency would jeopardize \$50 billion of mining, energy and infrastructure investment that the government expects will fuel 6.5 percent growth over the next five years."

Humala is making a concerted effort to present himself as someone willing to compromise in order to promote national growth under conditions more favorable to the Peruvian population. Speaking to

reporters outside his home in Lima after casting his vote, the candidate said: "Ours is a message of inclusion... The electoral process is a celebration of democracy. It's not about confrontation and polarization. Once the president has been elected, we'll all need to work together."

He added, "Peru wants change without shocks to bring about a big redistribution of the country's wealth."

Humala's more moderate campaign rhetoric suggests that he would have little stomach for a protracted confrontation with congress, not so much because it would spook foreign investors, but rather because it would feed into the genuine anger of the Peruvian people who voted for him.

The real risk then would be an intensification of the class struggle and the development of social revolution.

The election results refute the widespread claims that Peru had managed to skip the economic crisis that has engulfed the US and Europe, and has erupted into violent social conflicts in Northern Africa and the Middle East.

Instead of the success story put forward by the media, the country's record growth rates in recent years, increasing foreign investment, growth of foreign trade, higher consumer spending, urban modernization, distributing profits to employees and workers to create a corporatist model, is a particular manifestation of the world crisis.

What is taking place in Peru in the sharpening of the contradictions of capitalist society. During the last 10 years, Peru's GDP grew 80 percent, but real wages remained at 1994 levels. Forty percent of the population lacks medical insurance.

In the cities, dozens of new US-style shopping malls and hundreds of apartment building are rising where single houses once stood. There is a 30 percent annual growth in car sales. All this is founded on the banks extending billions of dollars in consumer credit.

This urban modernization, however, stands in sharp contrast with the reality lived by the masses of workers and poor. In just three of the poorest districts of the capital—San Juan de Lurigancho, Comas and Villa El Salvador—half a million people live in extreme poverty, meaning they don't have enough to purchase the basic means of subsistence. Children suffer malnutrition and many are forced to work to help their families, suffering high levels of anxiety and being left behind in school.

In the countryside, nontraditional agro-industry is expanding and growing at an impressive rate. The export of asparagus, for example, will double in one year. But the rural areas are where 85 percent of the poor live. These also have the highest concentration of absolute poverty. In the Arequipa countryside, farmers protested against the Tia Maria project of Southern Peru, fearing the mine will harm their land.

In spite of all the modernization, the growth in agro-industries, nontraditional agricultural products and services—modern retail, finance, etc.—mining remains the heart of the Peruvian economy.

Here the contradictions of the capitalist system are even more staggering. The average profit rate in mining, including industrial and precious metals, has bordered on 40 percent. Southern Peru profits went from \$700 million in 2010 to \$1.9 billion in 2011 (a 270 percent increase). Sociedad Minera Verde profits increased from \$708 million to \$1.05 billion (a 150 percent increase) in the same period.

The thirst for mining profits has also developed a parallel illegal mining industry in the Amazon basin. As a result, 32,000 hectares of rain forest have been destroyed and many fish species are being poisoned with high levels of mercury. One month ago, the Peruvian police intervened to destroy dozens of gold mining drags in the rivers of Madre de Dios. This sparked a series of confrontations between miners and the police in Puerto Maldonado, the main commercial city in the region, that left three miners dead.

One of the reasons the ex-military officer Humala has been able to capitalize on the growing dissatisfaction of workers in urban and rural

areas is the backing he receives from the remnants of the Peruvian left. The CGTP (General Confederation of Peruvian Workers) and the Peruvian Communist Party, which have a long history of subordinating the working class to bourgeois candidates, parties and even generals, have supported him. These forces express themselves through the daily newspaper *La Primera*, which led Monday's edition with the title, "Nuevo Amanecer" (New Dawn).

In spite of their reduced numbers and influence these organization are ready to play their traditional role of suppressing any expression of political independence by the working class.



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