

Peru's president-elect Humala bows to bankers

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In the week following his victory at the polls last Sunday, Peru's president-elect Ollanta Humala has made it his first priority to reassure capitalist investors, foreign and national, that they have nothing to fear from his campaign rhetoric about changing the country's economic model and effecting a more just distribution of wealth.

Starting on election night, as his lead over right-wing candidate Keiko Fujimori became clear, his spokesmen took to national television with the aim of calming the markets and avoiding a possible collapse of the Lima stock exchange and the Peruvian currency, the sol, as a result of frightened investors and market raiders withdrawing their money.

These reassurances, notwithstanding, only hours after opening for business the next morning, officers of the Lima stock exchange moved to close the market to stop a massive selloff, but not quickly enough to avoid a historic 12 percent drop.

The driving down of share values on the Lima stock market was the opening shot by the Peruvian bourgeoisie and foreign capital in a campaign to impose their conditions for agreeing to work with the president-elect.

Speaking in unison, the presidents of the Lima's stock exchange, the Association of Exporters, the National Association of Miners, the National Society of Industrialists, the National Confederation of Private Enterprises, former candidate and Wall Street banker Pedro Pablo Kuczynski, the leader of the most right-wing party, Lourdes Flores, and others are demanding that Humala to quickly name "reliable" candidates for prime minister, minister of Economy and Finance and the head of the Central Reserve Bank.

The tense political atmosphere that followed Humala's victory was expressed by former president and leader of Peru Posible, Alejandro Toledo, who called on his supporters to vote for Humala in the election's second round. He issued a public appeal to investors for a truce, insisting they shouldn't limit themselves to raising demands on the president-elect, but should start working for the country.

In exchange for his support, it is possible that Toledo's party will be part of Humala's cabinet, according to recent reports. It is also rumored that a few politicians from Peru's old "left" could be included in the cabinet.

The Peruvian political class and foreign investors can only feel a sense of gratification at how hard Humala is trying to satisfy their

demands.

"The party wants to place its people [in the government], but Ollanta want personalities that generate a sense of maturity and give reassuring signals to the financial sectors," said a source at Los Delfines, the hotel where Humala has established his headquarters. Humala, according to this source, is looking to form an independent technical staff "for a government of national consensus."

In executing his post-election swing to the right, Humala is receiving invaluable help from the former "lefts" of the 60s and 70s. The old petty-bourgeois radicals, who form part of Humala's Gana Peru electoral bloc, came forward to show they have become harmless creatures. Their expertise now is in giving assurances that the government will continue its submission to the interest of capital.

Thus, Javier Diez Canseco, a prominent leader of the petty-bourgeois left organization of the 1960s, Vanguardia Revolucionaria, and a member of Peru's parliament for more than two decades, declared his support for Beatriz Merino to be named as prime minister. "I have seen her act firmly and calmly in difficult times," said Diez Canseco, who won a seat in the congress as a candidate of Gana Peru.

Merino began her political life when she was elected to congress in 1990 as a candidate of the Democratic Front (FREDEMO), an alliance of center right and conservative parties, whose presidential candidate, Mario Vargas Llosa, Peru's Nobel Prize-winning author, lost to Alberto Fujimori. In 2003, she was named prime minister by Alejandro Toledo. She remained in the job for six months. Later, she served as the national ombudsman in Peru.

But it is her current position as president of the Association of Private Pension Funds (AFP) that makes her a favorite of the Peruvian political class and investors. Modeled after the Chilean private pension funds, the Peruvian AFPs are the largest investors in the Lima stock exchange.

In an interview published by *La Republica*, one week before the presidential elections took place, Merino declared, "Yes, I trust Ollanta Humala... At the moment, in my opinion, there is no danger to the pension system in Humala's government plan." She made these remarks after meeting with the technical and economic team of Gana Peru.

Expressing similar views, the president of the Association of Exporters (ADEX in Spanish), Juan Varillas Velasquez, declared his support for Humala seeking to "refine" the economic model to

benefit the majority through “social inclusion”.

Varillas understands that Humala will respect the economic model and his aim is just to “refine” it, that is, to introduce minor changes aimed at masking the immense social inequality that has dominated Peruvian life, even as the country’s economy has grown 60 percent over the last decade.

When it comes to foreign relations, Humala has shown the same determination to calm the markets.

He acted immediately to lay to rest any concerns in Washington that he would revert to the nationalist rhetoric that characterized his failed 2006 presidential campaign.

As the Lima daily *Peru21* reported on Monday: “President-elect Ollanta Humala sent a new conciliatory message that he considered the United States a ‘strategic partner’ and is looking to establish a close cooperation with Washington in the fight against drugs.”

Interviewed by Reuters, Humala said, “We believe Peru has to follow its own path and not copy other countries.” The purpose of these words was to show that he has jettisoned any connection to Venezuela’s president Hugo Chavez, with whom he had identified himself in 2006.

Humala’s efforts to comply with foreign investors appear to be yielding results.

As of June 9, the China Development Bank had expressed its confidence in the future of Peru under Humala. Likewise, the Chilean retail conglomerate Cencosud announced that it will continue to invest in the country. A Cencosud spokesman compared Peru growing under Humala to the growth Brazil experienced under President Luiz Inacio Lula da Silva.

Humala is losing no time in forging close political and economic relations with South America’s most powerful capitalist nation.

•On his third day as president-elect, he embarked on his first tour abroad. It is revealing that his first stop was Brazil, meeting with both Brazilian president Dilma Rousseff and with former president Lula da Silva in Sao Paulo.

This is more than just a courtesy call. The turn to Brasilia sends message to Washington, foreign and Peruvian investors that Humala intends to follow Brazil and not Venezuela. It is also a recognition of the ever increasing role of Brazilian capital investment in Peru.

Humala’s week-long tour will take him to Paraguay, Uruguay, Argentina and Chile; with Venezuela and Bolivia noticeably excluded.

During his appearance in Brazil, Humala declared: “This country’s social and economic model should be an example for Peru... Brazil is the first country I visit. This is an important strategic partner for us as well as a successful model of macroeconomic stability with social inclusion.”

The Brazilian model of “social inclusion” emulated by Humala consists of providing modest social assistance programs that do nothing to challenge the country’s gaping social polarization, while maintaining neo-liberal free market policies. The Workers Party governments of both Lula and Rousseff have further set an example by ceding control of the central bank and fundamental economic decision-making to right-wing pro-business officials.

Interviewed by the TV program “Prensa Libre” on June 8, the president-elect’s close advisor Salomon Lerner Ghitis provided a surprisingly candid description of how Humala had crafted a new image for the election under the tutelage of political operatives from Brazil’s Workers Party: “Humala has received training from Brazilian and national advisors, even more, by people linked to art and theater. He has learned to smile and be patient when confronting difficult questions at interviews. I think he was a good and disciplined student.

“It really has been a change in him. Has made significant changes and that is what you see today... The work of the consultants from Brazil was required since September of last year.”

That Lerner Ghitis is a close advisor sheds significant light on what can be expected from Humala’s government.

He started his political career in a student organization associated with the Apra party of outgoing president Alan Garcia. In the 1970s, he left Apra to join the nationalist military dictatorship of General Juan Velasco, where he was linked to a pro-regime Labor Revolutionary Movement. In the 1980s, Lerner, by now a savvy political animal, found his way into a group called “friends of Alan,” a group of businessmen that took part in the most important government decisions during Garcia’s first presidency.

In 1998 he served on the board of directors of Latin Frequency, a TV channel that sold its editorial line to the National Intelligence Service headed by Vladimiro Montesinos, Fujimori’s sinister chief adviser. Under the Toledo government, he was head of the Finance Corporation for Development (Cofide), the entity in charge of restructuring all banks in financial trouble. In that position, he was able to help his friends—including himself—in the banking industry.

This political biography of his senior adviser provides an unmistakable warning as to the social interests that an incoming Humala government will represent.



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