

Peru's president facing mounting crisis after six months in office

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After six months in office, Peruvian President Pedro Pablo Kuczynski (PPK) is facing a mounting threat to his ability to govern after failing to fulfill his promises regarding the slow economy, government corruption, street violence and a political stalemate with rival Keiko Fujimori's Fuerza Popular, which controls Congress.

Peruanos por el Cambio (PpK) came in second in the first presidential vote, narrowly beating bourgeois pseudo-left candidate Veronika Mendoza of Frente Amplio, FA, guaranteeing a second round opposite Fujimori of Fuerza Popular (FP).

With the elimination of Veronika Mendoza, who won in the most impoverished departments located in the Andean southern region, the choice in June's second round was between two right-wing pro-Wall Street candidates.

Both PPK and Keiko Fujimori are part of the right-wing wave that has supplanted a series of center-left bourgeois governments in Latin America. Kuczynski's predecessor, Ollanta Humala, begun as a Chavista and ended up as a faithful defender of foreign capital, particularly the transnational mining corporations. He left office facing popular rejection from virtually all sectors of Peruvian society.

PPK's professional life has been a mixture of government posts—minister of energy and mines under President Fernando Belaunde in the early 1980s, minister of economy and finance, and then prime minister to President Alejandro Toledo (2001-2006)—and a lucrative career as a veteran Wall Street investment banker, specializing in private equity funds.

Keiko Fujimori is the eldest daughter of former President Alberto Fujimori, who in 1993 executed a coup d'état, closing Congress and writing a right-wing Constitution—still in place—that put an end to labor stability and placed virtually all of the country's resources on the auction block for foreign and national investors.

The right-wing *fujimoristas* are hated by a large section of the Peruvian population that remembers the corruption, assassinations and dictatorial rule imposed by Keiko's father in the 1990s. After fleeing to Japan in 2000, Alberto Fujimori was eventually extradited and sentenced in 2009 to 15 years in prison for having ordered the Grupo Colina death squad to carry out massacres in Barrios Altos (1991), a poor working

class neighborhood, and of teachers and students at La Cantuta (1992).

The pseudo-left candidate Veronika Mendoza called on her constituency to vote for the Wall Street banker as the “lesser of two evils,” in this way helping PPK defeat Keiko Fujimori in the second round by just over 41,000 votes, the narrowest margin of victory in Peru's history.

PPK began his mandate arrogantly promising that, with his experience as a Wall Street banker and with his small team of technocrats, he could singlehandedly solve Peru's social and economic problems.

BloombergBusinessweek wrote last October: “Mr. Kuczynski has persuaded the opposition-controlled Parliament to back his economic platform, travelled to China to drum up interest in a US\$70 billion portfolio of infrastructure projects, and pulled off Peru's biggest-ever sale of local currency bonds in the global market.”

In the 2016 APEC Forum (Asian Pacific Economic Cooperation) annual conference last November, he played host to more than a dozen heads of state, including those of the US, Russia, China, Japan, Australia and Canada, along with most Latin American presidents.

But as soon as the APEC Forum closed, the long-awaited confrontation between his administration and the *fujimorista*-controlled congress and began to take shape.

In spite his early successes that were praised by the financial media, PPK inherited a country with a declining economy, due in large part to the diminishing growth of China and global capitalism, which has driven down commodity prices.

Peru had won a reputation for being one of the fastest growing economies in the world. In 2010 alone GDP grew 8.3 percent, according to the World Bank, while the US and the European Union were still suffering from the near meltdown of the world credit system, following Wall Street's collapse in September 2008.

For the last five years. Peru's economy has been slowing down. By 2014, growth had fallen to 2.4 percent. In 2015, GDP growth was 3.3 percent, less than the 3.6 percent inflation. The World

Bank forecasts GDP growth of 3.5 percent for 2017 and 3.2 percent for 2018.

An impasse between the executive branch and Fuerza Popular (FP) emerged as a result of the FP-led Congress impeaching Jaime Saavedra, minister of education, after finding him guilty of embezzlement. Days before, a Sunday news program established that the minister's trusted personnel had embezzled part of the budget of 150 million soles (US\$45 million) intended for the purchase of computers and other equipment.

The resignation wounded the executive and PPK. It created confusion, paralysis and loss of the initial confidence within the country's ruling sectors in the president's ability to govern relying on his team of technocrats.

Two weeks before Christmas, the archbishop of Lima, Juan Luis Cipriani, a despised arch-reactionary, summoned PPK and Keiko Fujimori to meet at his house. After a one hour meeting, the president declared: "I do not doubt that we can work together to promote a Peru that reaches 2021 with prosperity and modernity," while Fujimori called PPK "president" for the first time.

Speaking to the press, Prime Minister Fernando Zavala said, "PPK will meet with the leaders of the Aprista party and César Acuña, leader of Alliance for Progress. Also, he will set a date for meeting with Frente Amplio (FA) and Acción Popular (AP)."

The accusation of embezzlement against the former minister of education was not an isolated event. Since the beginning, corruption has been a constant in PPK's presidency.

The most notorious case involved a former adviser on health issues, Carlos Moreno, who faces seven accusations of corruption. The TV news program *Cuarto Poder* revealed corruption in other branches of government, including Regional Affairs, and Prevention and Control of Social Conflicts. By October, PPK's popularity rating had dropped 8 percent.

At present, there are new accusations involving the "Lava Jato" (carwash) mega-corruption scandal surrounding Brazil's state-run oil giant Petrobras, which fatally undermined the Workers Party and set the stage for President Dilma Rousseff's impeachment.

The business daily *Gestión* reported: "Via a report addressed to the US justice system, the Brazilian company Odebrecht said it paid US\$29 million in bribes 'under the table' in three presidential terms [Toledo, Garcia and Humala] from 2005 to 2014."

"In December, the Attorney General's Office," continued *Gestión*, "opened a preliminary investigation into the relationship of former President Alejandro Toledo and PPK because it could have benefitted Odebrecht's infrastructure contracts to build national highways.

"The Brazilian company has a significant presence in Peru, where public works contracts valued at more than US\$10 billion have been given out."

Gestión reported last week that the Peruvian president "rejected many requests to remove Odebrecht from Peru and noted that some of its managers are guilty, but not the company

itself."

PPK denied claims that he accepted the \$20 million in bribes from Odebrecht that were awarded to an unidentified official for a public work contract in 2005, when PPK was minister of economy and finance under President Alejandro Toledo.

Peru's largest construction company, Graña y Montero (GyM), was a partner of Odebrecht in a US\$400 million contract to build the Lima Metro Line 1. Odebrecht acknowledged having paid US\$1.4 million to a high-ranking government official for that project.

GyM said it never knew anything about the Odebrecht bribe.

As political crisis engulfs the PPK government, class conflict in Peru continues to escalate. Much of the recent social unrest has been generated by the development of large-scale mining projects by foreign companies in impoverished regions of the countries. The situation is aggravated by the high level of police brutality and corruption of regional presidents, mine and peasant leaders, who have more than once been taped soliciting millions of dollars in bribes.

Last July, the daily *Correo* and *America Economía* reported: "The southern part of the country, especially in Apurímac and Cusco, is the most conflictive, with 32 percent of all social conflicts in the country. Additionally, 72 percent of Peru's conflicts are active while 28 percent are latent."

This is the region that in 2011, Ollanta Humala, then espousing a vague left nationalist and populist program, won by more than 80 percent of the vote, and Veronika Mendoza won by more than 50 to 60 percent in 2016.

PPK and his technocrats are particularly ill equipped to deal with the immensity of the social conflicts in the interior of Peru, where the president's party has no presence at all. It is this growth in the class struggle that that has forced PPK to seek alliances with the right-wing Fuerza Popular, on the one side, and the bourgeois pseudo-left Frente Amplio, on the other.



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