



A Leftist Demagogue Rejected

Peru says “no” to populist extremism – for now

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On Sunday, June 4, Peruvian voters chose the lesser of two evils and returned a moderate leftist to the presidency instead of a budding demagogue eager to impose the authoritarian policies of Cuba’s Fidel Castro and Venezuela’s President Hugo Chávez. Despite collective sighs of relief in Peru and in major financial capitals, the country’s close brush with political disaster may not be over.

The winner, former president Alan García, ended his first term in 1990 with rampant corruption, bread lines, inflation raging at 7,000 percent, and Communist guerrilla insurgencies that left 20,000 citizens dead and \$22 billion in property damages.

García seems to have had an epiphany since then, and another since his

unsuccessful run against Alejandro Toledo in the 2001 presidential contest. This year, he told voters he had learned from earlier mistakes and said his goals were to foster small businesses and expand Peru’s export economy, noting that the United States has become Peru’s largest trading partner.

Even bad leaders have been known to make successful comebacks. In Bolivia, Hugo Banzer was a military dictator who came to power through an uprising in 1971. When forced out seven years later, he founded his own political party and finally won the presidency in fair election. From then until he resigned for health reasons, he ruled as a democrat. So there’s hope.

But times have changed in Latin America and perhaps not in ways

that will reward reformed politicians. Elections and the region's spotty economic reforms aren't enough to meet the pressures of growing populations or supply real jobs to citizens demanding a better quality of life from whomever they think will deliver the goods. Peru happens to be in the middle of South America's cradle of poverty – a crescent that includes Venezuela, Colombia, Ecuador, and Bolivia – where half the people live on less than \$2 a day and a similar proportion of school-age students never get beyond elementary grades.

To the north, impoverished Venezuelans elected a former army officer and coup plotter in 1998 on promises to distribute better the country's oil riches. Now, eight years later, Hugo Chávez has rewritten the constitution, made league with Cuba's dictator, muzzled the media and civil society, expropriated property, and brought the state oil industry under his direct control. For all that, Venezuelans are slightly poorer.

Recently elected President Evo Morales of Bolivia is closely following the Chávez playbook. Morales renationalized Bolivia's hydrocarbon industry, has called a constituent assembly to rewrite the constitution, and threatened to expropriate property from wealthy citizens in order to give it to his indigenous followers.

In Peru, retired army Lieutenant Colonel Ollanta Humala came out of obscurity in 2005 to lead opinion polls in the 2006 presidential race.

He hailed former Peruvian dictator General Juan Velasco Alvarado as a model leader and promised to rewrite the constitution, retreat from trade with the United States, and expropriate property like Chávez and Morales. Relatives hinted he might even nationalize the media as well.

Humala's "get even" message appealed mostly to rural, indigenous voters who make up half of Peru's population. They had not seen much change in their lives, even though Peru's economy has grown an average of 5 percent annually during the last five years and poverty has been reduced from 52 to 46 percent under President Alejandro Toledo – ironically an Indian himself and former shoe-shine boy.

Feeling the moment was propitious, Humala flew to Venezuela to seek advice from Chávez. But when Chávez publicly endorsed his candidacy, many Peruvians considered it meddling. President Toledo recalled his ambassador from Caracas and Chávez responded with a volley of insults aimed at Toledo and García. When his poll numbers tumbled, an embarrassed Humala tried to assure voters that Chávez's remarks were "irrelevant."

Despite his miscalculations and loss to García, Humala's party won 45 seats in the 120-member unicameral legislature, compared to 36 for García's APRA party. If President-Elect García doesn't forge a coalition with other parties, Humala could block his legislative agenda. Furthermore, Venezuela's Chávez is not likely to

accept the defeat of his political ally. Venezuelan diplomats and Humala's followers may be counted on to stir up heaps of trouble.

García's best hope for survival is to steal Humala's constituents. He should move swiftly on measures that will level Peru's uneven commercial playing field so the working poor can easily license businesses, access credit, register property, and obtain training to compete in new and diverse industries. Simultaneously, García must win legislative approval of the U.S.-Peru free trade agreement. He says he wants to renegotiate parts that have a negative impact on Peruvian farmers. But he shouldn't wait until the current U.S. Andean Trade Promotion and Drug Eradication Act expires in December 2006.

Finally, García must mount a vigorous public information campaign to

show the poor how they can benefit from global trade and modernization. Fortunately, García is a nimble communicator who can fill rhetorical voids. But he will need all his skills and support from former rivals like President Toledo and conservative presidential candidate Lourdes Flores Nano to dominate the national debate.

Like an opera, Peru's tussle with populism won't end until the fat lady sings. Whether President García, spoiler Humala, or even meddling Hugo Chávez in a red tutu gets to sing the last aria is hard to predict. But stay tuned, this road show is about to move on to Mexico, Ecuador, and Nicaragua, where elections with similar populist overtones take place this year.

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