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LATIN AMERICA ADVISOR

Q Peruvian President Alan Garcia on Saturday marked the completion of his first year in office amid strong economic indicators but faltering popularity among the poor and low-income classes who are growing impatient for change. Will they see that change under Garcia? What does Peru need to do to turn the corner?

A Guest Comment: Abe Lowenthal:

"Alan Garcia was elected in 2006 as the 'lesser evil,' but even in winning Garcia lost in fifteen of the country's twenty-five electoral districts, in many by overwhelming margins. The half of Peru's population that is left outside the thriving modern sector, principally in the southern highlands and the eastern jungle, supported the outsider, anti-system candidate Ollanta Humala, as they had supported previous outsiders Alberto Fujimori and Alejandro Toledo, who rode to victory with their support. It is not surprising, therefore, that Garcia's popular support is low, mainly in the regions where he fared so badly in the 2006 election. Humala has largely self-destructed as a viable opposition leader, but the strong anti-system constituency remains to be mobilized. Reducing that destabilizing constituency will be difficult as long as the benefits of globalization and Peru's insertion into the world economy fail to reach Peru's poor, often indigenous people. Incorporating them into Peru's modern sector is not easy, particularly when parties and institutions are very weak and rates of illiteracy and the unskilled remain high. There are no quick solutions. Investment in rural development, improved infrastructure, focused efforts to strengthen education, and symbolic recognition are all required, not simply as rhetorical promises but as consistent and implemented priorities."

A Guest Comment: Javier Diez Canseco:

"Peru is experiencing frustration. The president's approval rating oscillates between 32 and 24 percent in spite of the economic boom since few, except transnationals, reap its rewards. Inequality and social injustice feed the unrest, Chile the president's promises for change remain unaddressed. His recent message doesn't indicate a new turn. There's neither a tax reform—to make those who earn more pay more—nor a tax on windfall mining revenue that would give the country resources to invest more in education and public health, in water and sanitation, in infrastructure, in social programs, or in support to rural areas, where poverty is concentrated. Nor has he proposed wage hikes, even though prices for bread, pasta, chicken, and fuels have increased and most workers are informal or are abused by outsourcing and the precarious nature of jobs (services and contracts), with meager salaries and with more than eight work hours per day. On top of that, Garcia governs in alliance with the followers of Fujimori—a corrupt, human rights violator—and the political and economic right. This portends economic policy continuity and political management plagued by corruption and abuse of power, responding to social demands with militarization and repression. Change, it appears, will not come from the heights of power but will be the fruit of social and political mobilizations. These have already happened in 12 regions of the country in four months, including the National Day of Struggle on July 11 and an agrarian strike. The union of political and social forces searching for a great change of direction, like the open processes in Bolivia, Ecuador, and other places in Latin America, could herald this possibility."

A Board Comment: Carlos Mateo Paz-Soldan: "Peru's centuries old structural and social problems

will not be solved in one year or in one presidency. To Garcia's credit he is continuing, and improving upon, the successful policies of his predecessors, which have contributed to Peru's high growth rates and have lifted hundreds of thousands of Peruvians out of poverty. Garcia's proposals for combating poverty and regional disparity—including the conclusion of a free trade agreement with the US, the infrastructure investments associated with the exporting highlands program, the reforms associated with the 'internal FTA,' the long-delayed changes in the educational system, and further decentralization—are the correct ones. In boldly taking on the powerful teacher's union, which opposed greater accountability and standards testing for its members, and whose crippling strikes were given widespread press coverage, Garcia is beginning to grapple with Peru's dismal educational levels. Tied in with the educational reforms is the fact that in spite of increasingly available resources, there is a glaring lack of qualified personnel to implement necessary infrastructure projects that will help address poverty in the newly decentralized regions. Garcia is largely on the right track, although Peruvians are unlikely to see the full results until years after his presidency. In the interim, US congressional ratification of the pending Peru FTA would provide Garcia with an immediate boost."

A Guest Comment: Michael Shifter: "Nowhere in Latin America today are the profoundly unsettling political implications of vast inequality clearer than in Peru. The country's economy is booming and poverty levels are dropping, yet at the same time popular frustration and resentment are mounting, expressed in recent waves of street protests by a variety of key unions, including teachers and miners. To his credit, in his annual address last Saturday Garcia recognized the sour mood and identified combating poverty as a high priority. Though the unusually intense social turbulence has temporarily subsided, it could well reemerge unless his government tackles the long-neglected task of serious state reform, not only in social sectors like education and health, but also in justice and security institutions. The Congress and opposition parties also have a central role to play in forging common ground for such a reform agenda. Moreover, Garcia's commitment to decentralization is commendable, though instead of setting up regional and local authorities for failure because of their inability to spend resources wisely, the national government might work constructively with those authorities to carry out urgent social projects. Garcia will have a hard time maintaining social peace and achieving his ambitious goal of reducing Peru's poverty level from 44 to 30 percent by 2011 without taking essential steps to overcome deepening mistrust in a country so sharply divided both socially and geographically."