

Between a "great transformation" and continuity. Perspectives on Ollanta Humala's government in Peru

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1. Introduction

A few months into Ollanta Humala's new administration (2011-2016), the predominant feeling both inside and outside Peru seems to be moderate optimism. Initially, a majority of voters¹, political parties², national and foreign investors³ and analysts⁴, all seemed to agree on the positive nature of the first decisions and gestures made by this administration. Humala's motto "growth with inclusion" thus appeared to generate a wide consensus and managed to reconcile two goals that had been seen as conflicting. The possibility of maintaining macroeconomic growth and stability, and attracting foreign investments, while at the same time increasing social programs, redistributive policies, state density and the recognition of excluded minorities seemed an attainable objective that united Peruvians as well as foreigners.

However, after a few months in office the initial relief at his moderate decisions begins to subside, and this initial consensus starts to wither. Gradually, the contending bloc in the electoral campaign is turning into an aggressive opposition.

Therefore, it must be reminded that only three months ago, high levels of polarization, racism and intolerance were the predominant features of the electoral campaign. Racist commentaries displayed in social networks blaming mestizos and people of indigenous descent of Humala's high ratings, and insulting them in very strong terms, made the pages of national and foreign news agencies⁵. These were taken as a clear expression of the deep underlying social divisions that political correctness attempts to conceal in everyday life. Thus, electoral options, particularly in the second round of elections, produced a strong polarization that combined political orientation, with class, race and culture, making these divisions insurmountable.

¹ According to a Datum opinion poll made between August 5th and 8th, 62% of those polled approved Humala's administration (Peru 21 2011). This represents a considerable increase from the 31.7% of the votes that won him the presidency on June 5th.

² The government's work plan presented to Congress on August 25 was approved without any opposing votes, and with the abstention of only one party, the fujimorista party (Fuerza 2011), which we will discuss in section 5.

³ The National Society for Mining, Petroleum and Energy, which represents companies in the mining, electricity and hydrocarbon sectors has expressed its satisfaction at the possibility of working with the government in reducing poverty in the country (Sociedad Nacional de Minería, Petróleo y Energía 2011).

⁴ The Financial Times, as well as different consulting companies, have highlighted how the new administration has been able to calm investor's fears and pursue both social inclusion and continued foreign investment (Financial Times 2011). Additionally, Standard & Poor's recently raised Peru's credit rating to BBB, the second lowest investment-grade credit status, in response to the measures taken by the new administration.

⁵ Racism displayed during the campaign was the subject of both national (La República, Perú21, La Primera) and foreign (Spain's El Mundo and Germany's Deutsche Presse-Agentur) journalistic articles (Sifuentes 2011, La República 2011, Ruiz 2011, Lévano 2011).

The questions that will guide this article are therefore the following: How can we reconcile these two moments? Can the initial goodwill towards Humala be sustained in light of the deep cleavages it is built upon or is it just the typical “honeymoon” that characterizes the first months of new administrations? Furthermore, will the “great transformation” promised by President Humala be able to finally overcome the country’s more profound social divisions?

In order to understand the current situation in Peru, and answer the questions above, this article is divided into five sections. The first recalls some of the main characteristics, actors and results of the last presidential campaign. The second describes the most important long-term political and social processes that help explain the character of the electoral campaign and what was at stake in it. The third section explains why Humala’s presidency is seen as the beginning of a new political cycle and identifies some of its main features; while the fourth takes a look at the main challenges this administration will face in the next five years. The last section concludes with an attempt to answer the stated questions in light of the information presented.

2. Some notes on the electoral campaign

On the 5th of June 2011, the Peruvian national elections gave victory by a small margin to Ollanta Humala, the candidate of the nationalist alliance “Gana Perú”. Humala, a retired military left-wing candidate, won over the right-wing candidate Keiko Fujimori, daughter of the ex-president Alberto Fujimori, with 51.5% of the total votes counted.

The electoral process took place in a highly polarized scenario, with discrediting campaigns attacking both candidates and even public expressions of racism and verbal violence. Uncertainty took over the majority of the voters, who decided their vote in the last minutes of the campaign.

This scenario was partly the result of the dispersion of the democratic center voters during the first round, allowing the two most resisted candidates, Ollanta Humala and Keiko Fujimori to access the second round with 31,7 % and 23,6% of the votes respectively. These candidacies initially expressed the vote of the dissatisfied, both at the right and at the left of the political spectrum. However, they soon became the channels of expression of economic and social blocs aligned around the rejection and defense of the economic and political model implemented by Alberto Fujimori in the nineties.

In order for Humala to win in the second round, he had to change his electoral strategy. On the one hand, he considerably moderated his discourse with the purpose of gaining the necessary votes from the center to win. Growth with stability and democracy with social inclusion were terms used repeatedly by the candidate. They aimed to dispel the fears of the middle and upper class about potential “radical” measures, while reasserting his respect for the rule of law, human rights and freedom of expression and the press. He also said that changes must be gradual in order to be sustainable, and announced a larger state role in the country’s development. Moderation was accompanied by a shift in his image and language, emphasizing family values and his admiration for president Lula in Brazil, instead of Venezuela’s Hugo Chavez.

On the other hand, Humala obtained new and important endorsements by presenting public opinion with the idea that the dilemma of the election should be interpreted in terms of democracy versus authoritarianism. Important supporters who subscribed this

thesis were Nobel Laureate Mario Vargas Llosa, and former President Alejandro Toledo and his party, Peru Posible. A series of civil society organizations, which reported human rights violations and corrupt practices under Alberto Fujimori also contributed to his victory. The streets of Lima and the main cities in the country witnessed the mobilization of activists that associated Keiko Fujimori's candidacy with her father's government, and reported that her victory would amount to the reestablishment of authoritarianism and corruption.

Humala's electoral strategy proved effective in the end. The promise of growth with inclusion combined with fear of Fujimori's authoritarianism, and allowed him to build a majority and win by a small margin. However, once the results were announced, uncertainty remained among wide sectors of the electorate, concerned about what Humala might do once in office.

3. Legacies

In order to understand the events transpired during the electoral campaign, and the ground upon which the new administration stands, it is necessary to consider the main long-term processes undergone by the country since the democratic transition in the year 2000.

After the fall of Fujimori in 2000 a political transition began in Peru which presented the opportunity to re-legitimize democracy through institutional reforms and policies promoting citizen participation and human rights. Eleven years later, procedural democracy has been strengthened, consolidating a political cycle in which elections are generally recognized as the only means to reach government. In consequence, political competition has become centripetal as radical positions have moderated to attract voters. However, support for democracy continues to be low (61% according to 2010 Latinobarómetro), which has been associated to high levels of poverty and, particularly, inequality in the country. In addition, although generally respected, political and social rights have been threatened in certain situations, as have been some of the liberties associated to democracy, such as information pluralism.

Humala's administration must deal with these and other serious limitations passed down from previous governments that if not addressed will affect its capacity to comply with the expectations created regarding growth and inclusion. There is a high level of public distrust in political institutions and authorities, due to high levels of corruption. Public administration deficiencies such as a shortage of qualified officials, overlapping functions and legal frameworks and a lack of modern administration systems limit the state's capacity in all areas and underline a continued need for reform. The state has been traditionally incapable of warranting access of the poor to quality basic services such as health, education, justice and security. This weakness is partially explained by its limited capacity to collect taxes, which in 2010 reached only 14.9% of the GDP. This level of tax collection is considerably lower than other countries with a similar level of development and prevents the state from having the resources required to implement policies that improve the levels of welfare in the country. The new Minister of Economy, Miguel Castilla, has announced that the new administration is set on ending its term with a fiscal pressure of at least 18% of the GDP.

In terms of economic model, we find a legacy that combines exceptional economic growth rates that have trebled the country's GDP⁶ in only ten years -resulting in a reduction in poverty and the emergence of an incipient middle class-, with persistently high rates of inequality, similar to forty years ago. Inequality is expressed not only within regions, but also between them, as a result of a high variation in income due to mining and gas royalties⁷. This situation, along with the expansion of extractive industries produces regular outbreaks of social conflicts throughout the country. The increase in social conflict in the last years is due in large part to the government's inability to manage demands from the population and prevent conflicts from arising. They have been especially acute in areas with large rural and indigenous populations, where extractive activities have expanded (minerals and hydrocarbons), and are increasingly associated with disputes over the rights of these populations vis-à-vis the central government and private investors, and how the costs and benefits of such activities are distributed.

The existing model is based on the premise that economic growth and development are owed basically to the aggressive promotion of investment (mainly foreign) on the extraction of natural resources (minerals, hydrocarbons, timber and sea products). This extractive model has been working on the basis of a strong coincidence between multinational companies and the state, which has guaranteed that they have the regulations, incentives and public order necessary for their work and expansion. The outgoing administration, and the groups that benefited from this model state that this manner of connecting the economy with the state's policies is the best way to produce employment, development and reduce poverty. Thus, reducing the state's capacities and functions while facilitating the expansion of investments in these areas, is justified.

The fact is that economic growth in the past years has helped reduce poverty, but has been accompanied by high levels of inequality, which might help explain the wide acceptance of Humala's offer to combine growth and inclusion. Thus, poverty has dropped from 54.8% in 2001 to 31.3% in 2010 (INEI 2011). However, these averages hide important differences. In the capital city of Lima only 13% are poor, while in the rural Andes the percentage increases to 61.2%. Recent calculations of the Gini coefficient, that correct official estimates (Yamada and Castro 2006), show that it is one of the highest in the world, at 0.60⁸. The surprising fact is that a respected study published in 1975 (Webb and Figueroa) shows exactly the same coefficient. This means that inequality has not been reduced in spite of exceptional economic growth.

An additional element that is worth noting is that in Alan García's administration (2006-2011), the promotion of this economic model was accompanied by an official discourse in favor of the large-scale exploitation of non-renewable natural resources located in the Andes and Amazon. This discourse, stated in a series of articles written by the

⁶ The 2010 GDP is twice what it was in 2005 and three times that of 2000.

⁷ According to current laws, royalties are delivered from the central government to those regions where the extractive industries take place. This is creating strong inequalities between those regions that receive royalties, and those that do not (although some of them are affected by the activities of extractive industries).

⁸ There is a consensus among academics that the official Gini coefficient measured by the National Statistics and Computing Institute (INEI) under-reports inequality, because it does not consider the income or property of the highest segment in the country. This segment does not answer the official surveys through which the basic data used in the coefficient is gathered.

president⁹, ignored social and environmental regulations and rights, and described those opposing their violation as “backward, ignorant and easily manipulated”. These aggressive statements fueled the irritation and suspicion of affected citizens (mainly native peoples and peasants) towards the state and the central government, contributing to the explosion of social conflicts. The state was typically seen as siding with large capitals in opposition to common rural Peruvians.

In political terms, an important legacy received by the new administration is a weak political party system, which affects the ability of political opponents to provide checks and balances. In addition to an extended antiparty discourse, parties now face competition from regional movements that are becoming stronger and displacing them from regional politics. Apra’s failure in the last elections is only the latest case of traditional parties’ downfall. As a result, political parties are little more than electoral platforms; political activity is strongly personalized and electoral processes highly volatile.

Ever since the ascent of Fujimori in the nineties, political parties suffered a collapse from which they have not been able to recover. The decentralization process has accentuated this tendency by fostering the multiplication of regional movements that compete with parties and, like parties, work as electoral platforms and lack roots, presence and stable popular support in the country¹⁰. This utter weakness in political representation makes the work of any governing party harder, given that it lacks a stable basis of support, qualified specialists that can take on government positions, and representative parties with which to negotiate and eventually form alliances. The absence of the articulating role of parties is also expressed in the multiplication of demands that turn into conflicts and that must be addressed individually, throughout the country.

In social terms, we find a similar legacy, with an extended but unarticulated civil society. In effect, there is a vast and diverse network of civil society organizations (survival organizations, social movements, trade unions, religious organizations and non governmental organizations, among others) that act independently and have difficulties acting jointly. This is evident in the case of the emerging social movements organized in reaction to the activities of extractive industries, which seem unable to combine their efforts in spite of sharing the same basic demands.

However, in terms of political impact, the non-governmental sector in Peru has historically been a broad and influential actor. This is in part due to the weakness of traditional opposition groups such as parties or trade unions. Advocacy NGOs in the country, although a minority, have had high visibility in issues such as transparency, oversight, human rights defense and promotion, and the fight against corruption. Due to

⁹ “El Síndrome del Perro del Hortelano” (“The dog in the manger syndrome”) was published by El Comercio on October 28th 2007, “Receta para Acabar con el Perro del Hortelano” (“Recipe to end the dog in the manger”) was published by the same newspaper on November 25th 2007 and “El Perro del Hortelano Contra el Pobre” (“The dog in the manger against the poor”) was also published by El Comercio on March 2nd 2008. *Perro del hortelano* is an expression that refers to Aesop’s fable about a dog in a manger who would not eat the grain, nor let others eat it. With this expression former president García referred to indigenous peoples in the Andes and the Amazon, who would not exploit the rich resources in their land, nor allow others (supposedly the country as a whole) to benefit from them.

¹⁰ Even the APRA Party, the oldest in the country, that was strengthened during the transition, has left the government deeply weakened and currently only has 4 representatives in Congress.

this political role of some NGOs, governments have carried out constant confrontation and discrediting campaigns against them, including repeated attempts at passing laws that expand state control over projects and funds administered by these organizations. Up to now, NGOs have been able to resist these attempts with the support of transnational civil society networks, foreign donors, and some media. It will be interesting to see if this administration will be able to change the traditional confrontation with NGOs and maintain a good relationship with organizations whose mandate it is to control the government and make it accountable.

Finally, another important legacy has to do with social groups that have taken advantage of the weakness of political representation in order to accumulate power and advance their own agenda. These are the most important economic groups in the country, mainly linked to the media and extractive industries (in association with foreign capital). As we have seen, foreign capital linked to extractive industries in the country has benefitted from the complete support of the previous administration. Some analysts even spoke of a situation of state capture (Durand 2006). However, this groups' desperate reaction before the possibility of Humala's election, the strong defamation campaign built against his candidacy, and his victory nonetheless, have proved this thesis wrong (or at least limited). However, they are still powerful and used to privileged access to decision makers, and therefore will be a force to be dealt with by Humala's administration in the upcoming years.

Linked to these groups is a fundamental political actor in any democracy: the media. Due to the weakness of governmental and political oversight, in the past years the media has taken on this role with more prominence. In fact, a group of journalists and media have become an important force for holding the government accountable. Such actors have played a role in monitoring government, denouncing abuse of power and corruption, and defense of human rights and civil liberties. However, since the recent electoral campaign they have become weakened and have lost liberty due to the decision of media owners to align themselves with certain political sectors. These media owners are now continuing to use their media as platforms from which to attack the new government, reducing the space for a much needed honest opposition.

4. ¿A new political cycle?

Humala came to power promising a "great transformation". Although the level of effective transformation remains uncertain, what seems clear is that his government is inaugurating a new political cycle in the country that seeks to amend many of the legacies mentioned in the previous section. Even his election represented a variation in previous patterns: for the first time in republican history, the president-elect did not win the majority of votes in Lima. The provinces elected Humala in spite of the capital. And their main demand is for change, for a state that is present throughout the country and that will fulfill the promise of inclusion.

President Humala seems to have taken this demand seriously. From the beginning, his government has been characterized by a series of singular measures. The first one is probably his commitment to dialogue and building wide based agreements. This was the key to his victory in the second round of the election. And his government reflects this, in the participation of high officials coming from civil society, the business sector, the

armed forces¹¹, and academia alongside experienced technocrats. This consensus-based strategy contributes to his high approval, by producing decisions that are agreeable to different social groups and guarantees that their interests will not be unilaterally affected. As we shall see though, maintaining such a diverse coalition might prove challenging.

The same has been done regarding political parties. The new administration obtained the support of important center-right parties for the second round of election and has sought to maintain this support since. Although these parties are not part of an official governmental coalition, they have expressed their watchful support, so long as the government complies with its democratic commitments. According to the President of the Council of Ministers, Salomón Lerner, the government now seeks to gain the support of even more parties in Congress, not based on an interested exchange of favors but on the persuasiveness of their proposals (Lerner 2011b).

According to Salomón Lerner, the government's commitment to dialogue has also been expressed in its decision not to request the delegation of legislative powers from Congress. García's government (like Fujimori's in the nineties) notoriously and repeatedly used the delegation of legislative powers to unilaterally (and many times unexpectedly) produce law-ranking decrees without discussing them in Congress. Many of these decrees were responsible for political crisis and were strongly questioned by opposition groups. In contrast, Lerner has stated they do not seek to avoid discussing bills in Congress, but rather want to reach broad agreements with parties with legislative representation.

A second characteristic (and unusual) feature of the new government is its attempt to rapidly fulfill its campaign promises. Less than a month into its term, Humala's government approved a first increase of S/. 75 (\$25) in the minimum wage, fulfilling his promise to gradually increase it from S/.600 (\$200) to S/.750 (\$275) in 2012. Likewise, on August 25th Salomón Lerner announced an agreement reached with mining businessmen to create new tax devices that would allow the state to collect approximately \$1,000 million additional revenue a year (Lerner 2011a). On September 28th three laws were passed formalizing this new tax system, which will start functioning as of October 2011. Thus, the government fulfilled its promise to create a new tax on mining profits, without affecting the competitiveness of extractive industries in the country. Additionally, on September 6th, Humala fulfilled another campaign promise by enacting the long awaited "Law on Prior Consultation with Indigenous and Native Peoples recognized in Convention 169 of the International Labor Organization (ILO)". The bill, which had been sent back by former president Alan Garcia on June 2010, was surprisingly approved unanimously by Congress on August 23rd, and has been received with widespread public approval.

These measures, that seek to build a political system based on dialogue, to improve the living conditions of workers, to respect the rights of indigenous peoples, to put the country's interests before those of mining companies, and to recuperate the public's trust in politics are largely unprecedented and represent a radical change from the previous government. It is in that sense that Humala seems to be inaugurating a new political cycle in which the form and the content of political decisions in the country

¹¹ It must be mentioned that the repeated appointment of active and retired military officials to high government positions has been met with considerable criticism by public opinion. Some analysts (Peru21 2011a) have warned that this may be the beginning of a militarization of power; while others (Levitsky 2011) see it as a natural inclination to appoint people he knows and trusts.

will be different. The question then is, will these initial gestures continue and turn into a permanent feature of this government?

During the electoral campaign, a new civil society actor with a strong potential has risen. After many years of political apathy a sector of young citizens has started to become organized through social networks with an agenda of vigilance and defense of democracy. They have played an important role in the recent elections and are expected to continue to do so in upcoming years through watchdog activities and by putting pressure on the government through collective action. Thus, the new political cycle might not be determined only by the government's actions, but also by a renewed activism and political engagement from civil society.

5. Challenges

Despite these initial positive signals and offerings, the Humala administration will face in the following years a number of challenges that will affect the extent to which he will be able to fulfill his campaign promises and exert a real change in the country. Some of these challenges are the result of long time processes, while others are determined by the current political context. Nonetheless, the new administration will have to face all of them in order to be successful.

a. Managing growth and inclusion

The main challenge of the Humala administration is to maintain the exceptional performance of Peruvian economy while at the same time considerably expanding social inclusion. This is the mandate that emerges from a narrow and highly competitive electoral triumph. Overcoming this challenge requires, at least, implementing efficient and effective social policies; making a heterogeneous cabinet reach agreements and work as a whole; satisfying the high redistributive expectations of the lower classes; and ensuring foreign investors. According to Humala, this would result in a peculiar model of growth with stability, democracy and social inclusion.

Regarding this last point, in order for economic growth to continue, spokesmen of the private sector have demanded from the start that the president inspire "trust" among investors by guaranteeing legal certainty. The appointments of those mainly responsible for economic policy, the Minister of Economy and Finance (Miguel Castilla), and the ratification of the President of the Central Bank (Julio Velarde) both share this intention.

At the same time, the government intends to combat inequality by appointing, in the social ministries, progressive professionals known for their center-left or left leaning positions. Their purpose is to implement policies aimed at reducing social tensions and improving the situation of the poorest in the country. These include social programs such as Pensión 65, Cuna Más, Beca 18, and the expansion of the conditional cash transfer program Juntos¹². According to the new authorities, all of them will be

¹² Juntos is a conditional cash transfer program that was started under Toledo (2002-2006) which Humala has promised to expand in the following years in order for it to reach the 800 poorest districts in the country. According to specialists, currently Juntos only reaches around 17% of the poor in the country, making it urgent to widen its coverage and improve its management to avoid filtrations.

Cuna más is a program offering public nurseries for children aged 0 to 3, where they will receive free diapers, milk and specialized attention.

Pensión 65 is a program offering a basic pension of 250 soles (\$90) to persons older than 65 that do not have any retirement fund.

implemented in observance of the principles of focalization and gradualness, and to ensure their success, they will be centralized in a new Ministry of Development and Social Inclusion. The question here is whether the orthodox economic policy and aggressive social compensation programs will suffice to fulfill the stated objectives. Particularly when, unlike the previous presidential term, international context is less favorable for the commodities that have been leading economic growth, due to recession in the United States and Europe, and the possible slowing down of Asian economies. On this point, the Chinese economy is of particular importance to Peru, given its investments and high scale mineral purchases.

In addition to the capacity of social programs to improve the living conditions of those most in need, it is clear that the state needs more resources and to be more efficient in order to improve job opportunities, education and income of poor populations, providing them with the human capital and infrastructure required to be a part of the national and global market. Resources could come from an integral fiscal reform and the newly established tax on mining profits, as long as international competitiveness is maintained in order to attract investments and maintain the level of growth. However, these resources must be used to improve people's capacities and give them an opportunity to improve and find their place in the system. Mere economic aid is limited by assistencialism. Otherwise, votes and protests will continue to threaten economic and political stability in the country.

b. Tackling corruption and inefficient public administration

The lack of institutional capacity in almost all areas of the state represents a considerable challenge to the new administration's plans for the country. This lack of capacity is the result of a series of problems that converge in the working of public institutions in the country.

A first and fundamental problem that reaches almost all public bodies is corruption. In recent years the perceptions of corruption in the country have increased and in 2010 it became the main problem of the state and the country according to opinion polls¹³. However, instead of being organized around a network led by Montesinos, like in the nineties, corruption is now dispersed and contained in numerous state bodies, with its own characteristic features and dynamics in each one of them, which might make it harder to combat. According to the Office of the Comptroller General, each year the state loses between 2,200 and 2,900 million dollars due to corruption. In addition to economic costs, corruption represents an obstacle for development, the strengthening of state institutions and the legitimacy of democracy and the political system, producing political disaffection. However, specialized reports state that the main cause of corruption in the country is not found in the absence of laws, regulations or control systems, but in the weakness of the institutions responsible for enforcing existing legal frameworks, and in the poor articulation between these institutions (Panfichi and Alvarado 2011).

Beca 18 is a program that will pay a university education (in public or private universities) for the best students of public schools.

The Minister of Economy, Miguel Castilla, has stated that the total cost of all four programs for the year 2012 will amount to \$370 million.

¹³ The VI Survey on Perceptions of Corruption 2010 shows that the majority (51%) considers corruption to be the main problem in the country, and 58% consider it the main problem affecting the state and hampering development (Ipsos Apoyo 2010).

This takes us to a second problem, linked to that of corruption, but different from it: institutional weakness. The way in which reforms derived from the Washington Consensus were applied in Peru, by an authoritarian and corrupt government, resulted not only in the reduction of the size of the state but also in its weakening. This is a burden that has not been lifted to this day. The limited institutional reforms conducted since the transition to democracy (2001) have emphasized the creation of “efficiency islands” and the limited reform of systems linked to public spending (budget and public investment), without any kind of strategy guiding these efforts.

This leads us to a third problem: the management model with which the state operates, which makes it slow, rigid and inefficient. Public management is not organized systematically, and is governed by administrative systems that work unconnected, obstructing each other.

A fourth and very serious problem has to do with the state’s human resources. The Peruvian state does not have a career civil service that is professional, competent and based on merit. Instead, we find it has around thirty different ways of hiring employees, a high number of positions of trust, and a high rotation, with the consequences of inefficiency, lack of experience and lack of capacities they entail. The decentralization process has now multiplied these problems. All this makes Peru have one of the less developed human resource systems in the region (Iacoviello 2005), seriously hampering its capacity to adequately respond to society’s demands.

The new administration is only now realizing how serious these problems are, and how it impedes the great transformations it seeks. At the same time, it is a problem that can probably not be solved in the short term, and therefore the Humala administration will have to produce results in spite of it, while at the same time adopting reforms that will contribute to eventually solve it.

c. Dealing with social conflicts

Social conflicts are, without a doubt, one of the main governance challenges that the new administration must face. During Alan García’s term (2006-2011) the number of social conflicts in the country increased considerably, going from 84 in July 2006 to 214 in July 2011¹⁴. In addition to the different interests and demands that cause conflicts, they demonstrate the state’s weakness in responding to population’s demands and preventing the outbreak of conflicts.

An important source of social conflicts is linked to the exploration and exploitation of natural resources in areas inhabited by indigenous and peasant communities. In these territories -generally out of touch with the market due to geographical reasons- live the poorest and most excluded populations of the country, with little electoral weight and access to the political system. However, in most cases these communities have collective rights over their territories that were recognized in the past but have been repeatedly put into question since 1990 and the construction of the neoliberal development model. Previous governments have stated that natural resources belong to all Peruvians and not only to those inhabiting the places where they are found. Therefore, the state has rights over those resources and is not obliged to consult with anybody. In addition, conflict is fueled because some communities develop high

¹⁴ These figures are taken from the monthly reports on social conflicts prepared by the Office of the Ombudsman (Defensoría del Pueblo 2011).

distributional expectations in response to an official discourse highlighting economic growth while wealth continues to be concentrated among emerging middle classes and high classes in Lima and some region's capitals.

In recent years, in light of the absence or neglect of the political system to collect and process redistributive demands or respect acquired rights, the recurring response of affected populations has been the outbreak of conflict, as a manner of making themselves heard. Conflicts have taken place in almost all regions in the country and have been expressed through contentious collective action (strikes, street protests, hostage holding, road and river blocking, destruction of private property, etc.). Contention and use of force have become part of a strategy to exert pressure and seek negotiations with the state and private companies. The *Perro del Hortelano* (Dog in the manger) discourse mentioned above was seen by many as the confirmation of the disdain and lack of respect of political authorities towards these populations, increasing the distrust and radicalism of protests.

Given the centrality of socio-environmental conflicts, which constitute the majority, the recent recognition of the compulsory nature of prior consultation with indigenous or native peoples was a necessary step. This will contribute to the creation of new conditions of trust necessary to reduce social conflicts and channel demands within political institutions. This is of particular importance considering that mining concessions have already been granted in a considerable portion of national territory, and the amount of investments committed is very high, reaching 43,000 million dollars in mining only. President Humala has highlighted the importance of dialogue and compromise as key features of the new government. On the specific issue of natural resource management, he has announced the implementation of policies that guarantee their rational and well-balanced exploitation in conditions of respect to nearby populations and workers. These measures will have to produce results quickly in order to alter conflict dynamics in the country, otherwise, his administration will have to spend 5 years dealing with critical conflicts throughout the country, with the corresponding effect on its legitimacy.

d. Confronting drug trafficking and organized crime

Drug trafficking and security problems linked to it are another substantial challenge, that has been neglected by past governments and which will now have to be faced. The detrimental effects of drug trafficking on society are well known and have increased in the last years in Peru. We thus find, at the state level, corruption issues; cases of electoral candidates -at various government levels- financed by drug money; threats and murders of judges, district attorneys and prison directors. At a societal level we see an increase in homicidal violence, expressed in the presence of hired assassins, and an increase in drug consumption (although still low in relative terms). Finally, at an economic level we find indicators of a high volume of asset laundering; a growing proportion of the population employed by drug trafficking (approximately 500,000 people); and a growing proportion of drug trafficking in the GDP (between 4 and 5% according to some authors).

The growing tendency of drug trafficking in the country is evident. While globally the number of hectares growing coca leaves has been reduced, in Peru it has increased from

38,700ha in 1999 to 59,900ha in 2009¹⁵. In addition, Peru has now become a producer of cocaine hydrochloride, with 302MT produced in 2008, representing 36% of global cocaine production¹⁶. In fact, Peru seems to have already become the first global exporter of cocaine, due to low confiscations levels.

This leads us to another obvious trend in the country: the inefficacy of police forces and the lack of political will to decidedly confront this governance and security threat. Cocaine confiscation levels in Peru are very low compared to Colombia, and in 2007 and 2008 they were even lower than in countries with a smaller cocaine production such as Venezuela, Ecuador and Bolivia. The same happens with precursor chemicals. Peru is both the larger importer of precursor chemicals used in cocaine production, and one of the countries with fewer confiscations.

A similar lack of effectiveness is observed in asset laundering. Since its creation in 2003, the Financial Intelligence Unit has sent 466 reports on suspicious transactions amounting to a total of US\$3,600 million to the District Attorney's office. However, not a single sentence has resulted.

In order to understand this expansion of drug trafficking in the country it is necessary to consider the weakness and invisibility of the state, as well as the high levels of poverty in coca basins. In consequence, coca valleys are in fact "zones of exception" where the state is not present, and where more than 60% of the population is poor. The war against drugs must therefore simultaneously face these problems if it seeks to eliminate the conditions that determine its reproduction.

Ollanta Humala's new government has expressed its commitment to the war against drugs, by consolidating an integral and sustainable model based on alternative development, the control of precursor chemicals, the combat of illicit crops and of drug trafficking gangs. It has also announced that it will seek the realization of shared responsibility with consumer countries. The appointment of Ricardo Soberón as Executive President of Devida (National Commission for Development and Life Without Drugs) leads us to expect changes in the recent future. Soberón has a long experience working in drug policy issues and has openly opposed the established policy in past years. However, since his appointment, he has been subject of a strong media campaign that questions his decisions and projects, and attempts to present him as an advocate for coca growers and therefore unfit for his position. So far, the government has confirmed his trust in Soberon and defended the need for changes, but it remains to be seen how this media campaign will affect Devida's work in the upcoming years, and therefore, the government's ability to face the drug challenge.

e) Facing the opposition

Political opposition in García's government was weak and fragmented, like parties themselves. The strongest opposition and criticism came from disorganized social movements, NGOs, and the media. This scenario will likely change under Humala. He is probably going to face a strong opposition both from social groups as well as political

¹⁵ At this rate, Peru could overcome Colombia (68,800 ha in 2009) in one year and become the first coca leaf producer in the Andean region. It is worth noting that less than 8% of the coca leaf currently grown in Peru is destined to licit uses (traditional, pharmaceutical, and industrial).

¹⁶ This level of production also represents a 214% increase from the year 2000, which indicates a high rate of yearly growth in cocaine production.

parties. Starting with the former, we have already mentioned how large corporate interests, powerful media conglomerates, and conservative sectors of the Catholic Church opposed Humala during his campaign. This opposition continues and conservative media continue to publish daily articles criticizing the actions of prominent left wing and civil society activists in the Humala government. Recently, a vote of no confidence against the Minister of Women and Social Development (who is also Secretary General of the Socialist Party) was instigated by *fujimoristas* in Congress and supported by attacks in the main media. This leads us to the former.

In terms of political opposition, the leading role in Congress is expected to be played by *Fuerza 2011*, Keiko Fujimori's party. *Fuerza 2011*'s opposing role actually began the very day that President Humala was sworn in¹⁷. The question here is whether *Fuerza 2011* will become a democratic opposition party, which will contribute to the political process, or it will simply seek to hamper and sabotage the government. This question is of particular importance, given that the electoral campaign has revealed *Fuerza 2011* as the strongest, best organized party in the country. It is probably the only party that has militants and presence throughout the country, a mystique and sense of purpose built around Fujimori's imprisonment, and a program based on the continuation of Alberto Fujimori's neoliberal model implemented in the nineties. For that reason, its attitude towards the current government and towards democratic processes in general is very important. So far, its democratic credentials are still suspect to a portion of the public opinion. During the electoral campaign *Fuerza 2011*'s biggest asset was presenting themselves as the continuation of Fujimori's government, and they never made a clear break with the authoritarian features of his regime. Now that they are Humala's strongest opposition in Congress, their actions so far seemed determined to attack and discredit the government as a means of strengthening their possibilities for the 2016 election. Thus, its association with conservative, right-wing corporate interests and media may prove a considerable challenge to the Humala administration, as it will have to defend itself from their attacks in Congress and in the media.

f) Maintaining a broad coalition

One final challenge to the Humala administration's capacity to transform the country is internal, and refers to its ability to maintain the heterogeneous electoral coalition that allowed it to win the election. As we have seen, President Humala won this year's election due to the support of a series of actors and groups with varying levels of programmatic coincidence and governmental participation.

Ollanta Humala's Nationalist Party ran in the 2011 presidential election as part of a political accord named *Gana Perú*¹⁸. This accord was made up by a series of small left wing parties and had the support of a series of regional movements throughout the country¹⁹. This accord's governmental plan was a 200-page analysis of Peru's structural

¹⁷ During his speech, Humala stated that he was swearing in the spirit of the abolished 1979 Constitution. This was a form of criticism to the 1993 Constitution, which was enacted by a Constitutional Assembly convened by Fujimori after his self-coup. In reaction, members of the *Fuerza 2011* bench in Congress yelled that Humala's swearing in was unconstitutional during his entire speech. Afterwards they appeared in the media stating that Humala was a *de facto* President because his swearing in was not valid.

¹⁸ Although *Gana Perú* functioned as an electoral alliance, technically it could not be so because it was created after the deadline to register alliances before the electoral authority had passed.

¹⁹ The parties involved in *Gana Perú* were Humala's Nationalist Party, the Socialist Party, the Communist Party, the Socialist Revolutionary Party and a series of left-wing political movements.

problems that proposed strong state intervention in the economy and society, and the drafting of a new constitution, among other controversial points. This governmental plan was received with a strong criticism by the main media and was scrutinized and demonized by competing parties. However, it allowed him to pass into the second round of the presidential election.

In order to win the second round, Humala quickly realized that he needed to build a broader coalition that would allow him to attract more voters. And that he did. He started by toning down his governmental plan (through the presentation of a new roadmap for his eventual government, and the signing of a “Commitment to Democracy”), and succeeded in attaining the official support of important center-right parties such as Toledo’s Peru Posible and Acción Popular. It was this broad base, that ranged from the extreme left to the center-right, what allowed Humala to win the presidential election.

However, once in office, what was initially strength can turn into weakness. The basic question faced by the government is how to govern in such a way as to maintain the support of such different allies? The first attempt to answer this question can be found in Humala’s cabinet and main appointments. As we have seen, the list of appointed officials combines orthodox right wing economists in the “economic” ministries and bodies (Economy and Finance Ministry, Central Bank), with prominent left-wingers in the “social” ministries (Education, Women and Social Development, Environment). This equilibrium is fragile though. The government has already suffered attacks from some of its far left-leaning allies that question its shift towards the center of the political spectrum and the inclusion of prominent right-wingers in the government. Likewise, the opposition is questioning some of the more prominent members of the left in high government positions.

The challenge then, is for the government to work united, towards common objectives, despite the diversity of its composition, and without losing any of its key members. How long this fragile equilibrium can be maintained, or whether it will turn into a new political dynamic based on dialogue as opposed to confrontation remains to be seen.

6. Conclusions

Perhaps the main conclusion of this article is that the political foundations of the wide-ranging optimism aroused by Humala’s initial decisions are fragile. As we have seen, his government will be forced to confront a number of challenges that could affect the legitimacy and approval of the government in the upcoming years. Its capacity to successfully respond to these challenges depends on both internal and external factors.

Among the external factors the most important one is the international economic crisis. So far, Peru has managed to weather the crisis with relatively meager losses. However, in the proximate future, lower growth rates are expected and anti-crisis measures prepared, in view of the possible reduction in the price of commodities and the slowing down of the Chinese economy. If this were to happen, the funds necessary to implement Humala’s ambitious social programs might be threatened.

With regard to the internal factors, two elements should be taken into consideration. First, that the cleavages that divide Peruvians, which were clearly expressed in the electoral campaign, are the result of structural, long-term processes. They are therefore difficult to overcome over a short period of time -as the efforts of previous presidents

have proven-. Second, that Humala's government will apparently face opposition from the right of the political spectrum, but also from the left. From the right, we have already mentioned the re-composition of the competing bloc in the election, made up by right-wing parties (mainly Fuerza 2011), corporate interests, important media conglomerates and conservative religious groups. From the left, we also mentioned the initial signs of dissatisfaction from some of the groups and parties that supported his election. Attempting to minimally satisfy the second, while not completely alienating the first, and maintaining a broad coalition in government will certainly be a difficult task. This seems to be the real challenge behind creating growth and inclusion: responding to the demands and interests of two very different (and separate) social groups, both of whom have the resources (monetary or contentious) to challenge the government.

A great transformation is not out of the question though. However, it will most likely not take the form of a structural transformation of the country. What it might turn out to be is something just as revolutionary: the building of a state that seeks to serve the interest of all its citizens, not just a section of them. Evidently, this requires a skillful political handle. It remains unclear, in these initial months, if the Humala administration, -with no previous government experience, a weak party and tenuous alliances- will be able to maintain this fragile equilibrium.

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