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## The Persistence of the Two Perus

MOISES ARCE

Peru is poised for a brighter future. Since Alberto Fujimori's decade-long presidency ended in 2000, politics has become more liberalized, and the press livelier and freer. At the same time, the country has embarked on an important process of decentralization, allowing newly created regional governments a greater role in public policy, thus placing constraints on executive power. The extraction of natural resources, following the economic liberalization policies of the Fujimori era, has contributed to an impressive economic expansion, aided by record-high commodity prices and the growing Chinese demand for raw materials.

Yet despite these important changes, a number of hurdles loom on the path toward sustainable development. Peru's rapid growth in exports hinges on the continued resilience and expansion of Asian markets. The fluidity and weakness of the Peruvian party system complicates democratic governance. Rising protests against the extraction of natural resources have become a common mechanism to obtain political objectives or express policy demands. And though the threat of guerrilla insurgency no longer overshadows Peru, the human casualties and material losses caused by numerous protests throughout the country should not be underestimated.

### DECENTRALIZED DEMOCRACY

After the abrupt collapse of the Fujimori regime in late 2000, Peru's democracy quickly bounced back. Valentín Paniagua was appointed as a caretaker president. His transitional government set up a National Truth Commission to investigate the human rights abuses that took place during the past two decades of internal war. The government's conflict with the Maoist guerrillas of

the Shining Path (*Sendero Luminoso*) left a death toll of more than 69,000 among civilians, armed forces, and insurgents. The violence disproportionately affected those living in remote regions where the Shining Path had strategically sought to establish its stronghold: About two-thirds of the people who were killed or disappeared spoke Quechua, one of the country's most widely used indigenous languages.

While the implementation of the Truth Commission's recommendations continues, its work marked a clean break from Fujimori's authoritarian encroachments and culture of impunity. Government collusion with the media also ended, and a freer press reemerged. But the presidents who were elected after Fujimori—Alejandro Toledo (2001–06), Alan García (2006–11) and Ollanta Humala (2011–present)—illustrate the decomposition of political parties. As with Fujimori's rise to power, these presidents won office with parties that were loosely organized and highly personalistic. Despite the unprecedented economic growth of the 2000s, which could have easily produced an incumbency party advantage, Toledo's *Perú Posible* did not put forward a candidate for the 2006 presidential election. García's American Popular Revolutionary Alliance (APRA), arguably a stronger party, failed to nominate a presidential candidate in 2011.

The fragility of Humala's Peru Wins party has already triggered several cabinet crises, and he has appointed four different prime ministers in less than three years in office. Humala is constitutionally barred from seeking a second consecutive term, and it seems unlikely that his party will be able to seize the day in the presidential election scheduled for 2016. In sum, while politics is more liberalized in the post-Fujimori period, Peruvian democracy continues to lack stable parties.

Notwithstanding the weakness of the party system, Toledo's government began an important

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process of decentralization. The initiative called for the election of 25 regional governments, starting in 2002. Each of these regions elected a president. The regional authorities were set up to complement the preexisting government structure, which included 24 departments, 195 provinces, and 1,828 districts.

Among the provinces, the port city of Callao enjoyed special status because of its economic importance. The regionalization initiative thus provided for political representation at the departmental level and also in Callao. Regional presidents, rather than the national government, were to be directly involved in the economic development of their regions by supervising infrastructure and other investment projects. These intermediate governments have defined the orientation of certain public policies and gradually emerged as counterpoints to the national government in the struggle over the distribution of resources.

Toledo's reforms sought to reverse long-standing patterns of economic and political centralization, which had made the coastal capital of Lima the epicenter of economic activity as well as political control, and had historically cleaved Lima from the highlands of the country. Or, as Peruvian historian Jorge Basadre wrote, centralization has produced "two Perus": the "official Peru" (*Perú oficial*) located in Lima, where the bureaucracy is seated, and the "deep Peru" (*Perú profundo*), where indigenous people live.

Toledo's reforms were also aimed at undoing the centralized control of the Fujimori administration. A previous decentralizing initiative had taken place under the first government of Alan García (1985–90). In the late 1980s, the García government created 13 regions. However, these regional governments were quickly dismantled by Fujimori following the 1992 *autogolpe* or "self-coup," in which he dissolved the national legislature and reorganized the judiciary, suspending democratic and constitutional rule.

The regional elections of 2002, 2006, and 2010 (following Toledo's decentralization initiative) reflected the continuing fragmentation of Peru's party system. In the elections of 2002, for instance, Toledo's party, *Perú Posible*, won only one regional government: Callao. The bulk of the

regional presidencies went to APRA (12 regions) and independent movements (8 regions). Yet APRA's electoral gains were also short-lived: In the 2006 elections, it kept control of just two regions—La Libertad and Piura. In the 2010 elections, APRA, which remains the only national party that consistently participates at the regional level, retained only one regional presidency (La Libertad).

The 2006 and 2010 elections witnessed the rapid incursion of several independent parties or regional movements: They won 21 regional presidencies in 2006, and retained 19 in 2010. National parties generally do not compete in regional elections, and when they do, they perform very poorly. Like their counterparts in national elections, the parties competing in regional elections are also highly personalistic and ephemeral, rarely enduring from one election to the next.

For the most part, the interests of national- and regional-level politicians are in opposition. And regional politics has encouraged the use of protest to achieve political goals or articulate policy demands. In some cases, the protests seek to block the central government's push for extractive activities; in others, particularly where extraction is already taking place, the protests seek redistribution of mineral wealth.

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## EXPORT BONANZA

Peru's economy has become one of the fastest growing and most stable in the region. In 2008 the economy grew by 9.8 percent. From July 2001 until March 2009, it accumulated 93 months of continuous expansion. This trend was briefly slowed by the US financial crisis of 2008–09, but resumed toward the end of 2009, remaining strong and resilient through 2013. The World Bank in 2013 characterized the growth of the Peruvian economy as "Asian" because it mirrored the growth rates of East Asian economies.

Similarly, the country's GDP per capita more than doubled between 1990 (the start of the Fujimori era) and 2012 (from \$4,459 to \$9,421, based on international constant 2005 dollars). The percentage of the Peruvian population living in poverty declined from 58.7 percent in 2004 to 27.8 percent in 2011, and those living in extreme

poverty dropped from 16.4 percent in 2004 to 6.3 percent in 2011. A growing, consumer-oriented middle class has emerged from this economic expansion.

The governments of Toledo, García, and (currently) Humala have embraced and deepened the economic liberalization policies that were set in place by Fujimori. This continuity over more than two decades departs from the policy pendulum of the 1970s and 1980s that favored protectionism in some years and liberalization in others. Moreover, Toledo was instrumental in starting negotiations for a free trade agreement with the United States. The agreement was signed in 2006, and entered into force in early 2009. García also sponsored free trade agreements, notably with China, Chile, Canada, and South Korea. Peru now has more than a dozen of these free trade agreements with other countries and trading blocs, including the European Union and Mercosur, the South American common market. While some of these pacts are underutilized, they have nonetheless made trade liberalization Peru's de facto state policy, and thus cemented the market reforms of the Fujimori decade.

The extraction of natural resources—specifically mining—has been the main driver of recent economic growth. The effects of mining on the economy multiplied as a consequence of a commodity price boom. The price of gold, for instance, increased from \$344 per troy ounce in the early 1990s to \$1,225 in the late 2000s. In the same period, the price of silver rose from \$4 per troy ounce to \$20, and the price of copper increased from \$1.03 per pound to \$3.42. The growing Chinese demand for raw materials contributed to this bonanza. In fact, China has surpassed the United States as the main destination of Peru's exports (including copper, iron, zinc, and fishmeal).

By the end of the 2000s, Peru occupied a leading position in the global production of gold (as the fifth-largest producer), silver (first), copper (third), lead (fourth), tin (third), and zinc (third). In the same period across Latin America, Peru was first in the production of gold, lead, silver, tellurium, tin, and zinc, and second in the production of bismuth (after Mexico) and both copper and molybdenum (after Chile). Peru also stands out as having the region's highest concentration

of the world's top mining companies. Presently, at least 21 percent of the national territory (approximately 26 million hectares) is under some sort of mining concession. These concessions have led to clashes with local communities over the use of land and water in some cases, and the redistribution of mineral rents in others. Yet officials increasingly see mining as the mainspring of national development, and it is a key source of government revenue.

To be clear, other Latin American countries, such as Argentina, Bolivia, Venezuela, and Ecuador, have also experienced sizable export booms. In these four countries, exports have helped strengthen the power of leftist governments: Leaders not only have weakened democratic institutional checks and balances, but also have asserted control over the revenues from natural resources to varying degrees. Additionally, making the state the main beneficiary of the boom has allowed them to engage in redistributive political projects. These economic good times have bolstered populist figures, while undermining the rules about how political power is achieved (for example, competitive elections) and used (e.g., checks and balances).

However, for example, several factors set Peru's export boom apart from the experiences of these neighboring countries. First, rather than leading to a concentration of power in the executive, the bonanza has overlapped with a process of decentralization. The election of regional governments that began in 2002 created centrifugal forces for the distribution of mineral rents, and thus placed constraints on executive powers. Second, in the post-Fujimori period the private sector has been the main driver of extractive projects. And rather than succumbing to the impulse to expropriate, politicians have sought to protect the country's "investment-grade" status by maintaining an open-door policy toward foreign direct investment. In short, solicitude for the country's financial reputation has restrained the temptation to expropriate natural resources and instead kept focus on exports.

## EXCLUSION AND MOBILIZATION

However, not all Peruvians have shared in the benefits of economic expansion. The polarization of the electorate into "two Perus" illustrates well

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the limitations of export growth. The presidential elections of 2006 and 2011 reaffirmed the long-standing divide between Lima and the highlands. Many observers were surprised by the 2006 return of APRA's García—the president largely blamed for economic collapse and indiscriminate military intervention in the face of heightened insurgent violence in the 1980s. García began his second mandate with demands for social inclusion and equitable growth to better integrate the country. These calls came in response to the 2006 election results, which revealed an important geographical schism. Lima and the coastal areas supported García, while the south and central highlands voted overwhelmingly in favor of Humala, a former army officer and founder of the Peruvian Nationalist Party (PNP). Humala ultimately lost to García in a runoff.

This polarization resurfaced during the 2011 presidential election. Lima and the coastal areas supported Keiko Fujimori (the daughter of Alberto Fujimori). The south and central highlands, along with the Amazon region, again voted overwhelmingly for Humala, who defeated Fujimori in a runoff and won a five-year term. This schism shows how the market reforms that began with Fujimori generally benefited Lima and the coastal territories, yet failed to reach the south and central highlands. The “two Perus” emerged from perceptions of inclusion and exclusion. Where growth was visible, this created a feeling of social inclusion; where growth was lacking, many felt excluded from prosperity, and politics spilled onto the streets.

The mobilization of demonstrators exemplified the limitations of export growth, since the extraction of natural resources was the main impetus for these protests. Politically, it put elected officials in a difficult spot as they sought to promote economic growth amid social unrest. But before examining these mobilizations, two contextual factors are worth reiterating.

First, the wave of protests in the 2000s unfolded during an economic boom, not during an economic crisis as seen in other Latin American countries. García characterized these protests as “originated by the abundance” of natural resources. Indeed, mobilizations against resource extraction are the most common type of social protest in Peru today. Second, democracy was restored after Fujimori, and provided new outlets for political representation at the level of regional government. Thus the political environment in the

post-Fujimori period was simply more favorable for mobilization. And violence—whether used by the government against protesters or by aggrieved groups against mining companies—was closely watched and recorded by a livelier and freer press.

## **PASSIVE PRESIDENTS**

One could easily argue that the economic history of Peru is essentially a history of mining (Peruvian gold and silver provided the Spanish empire with an extraordinary source of wealth). Yet the current wave of protests is a response to developments that have arisen as a consequence of the ongoing expansion of the extractive frontier (or “new mining” as others have called it). With new mining, technological advances have reduced the need for unskilled labor, and labor disputes between mining companies and workers have become less visible. Instead, new mining increases the need for water, energy, and land. New open pit and heap leaching techniques demand far greater access to each of these resources. New mining also alters landscapes.

These technological conditions imply that the actors involved in protests against the extraction of natural resources are largely the rural and urban populations affected by its environmental consequences. Their claims often include damaged land, water quantity and quality, and landscape; they demand the protection of the environment as well as their livelihood. New civil society groups have emerged to challenge the extractive economy, and they have forged broad coalitions that cut across classes and the urban-rural divide, as well as environmentalist and nationalist discourses.

With rising mobilizations against mining, Toledo, García, and Humala were each caught between a rock and a hard place. On the one hand, they were keen on sustaining the country's growth by expanding the extractive sector and endorsing other economic initiatives, such as free trade agreements. Achieving these goals required bolstering the confidence of foreign and domestic investors, but widespread protests counteracted their efforts to improve the investment climate. On the other hand, they had to address the social unrest at some level; siding with protesters too quickly could shatter business confidence, but waiting too long to respond to their demands could lead to a political backlash—and violence.

Some observers suggested that the presidents' failure to face the social unrest was simply a

by-product of weak state capacity. Others interpreted their passive response to mobilizations in two ways. According to one interpretation, the presidents anticipated that economic growth—which until then had mostly favored the coastal areas, including Lima, but had left the highlands behind—would eventually trickle down to the rest of the country; they were simply waiting for this to occur, deeming intervention unnecessary. The other interpretation is that the presidents anticipated that the newly created regional governments would step up to resolve the protests. However, some regional authorities actively encouraged mobilizations in opposition to both mining companies and the central government's support for extractive activities.

Despite their apparent passivity, it is worth noting that two separate government agencies have kept a close watch on the evolution of these mobilizations, particularly those against resource extraction: the Office of the Ombudsman and the interior ministry. From their surveillance, we can assume that the government was at least cognizant of the mobilizations, even if that knowledge did not lead to immediate action.

## THE ART OF ROCKING

An alternative way to understand the government's response to rising mobilizations is by alluding to what the Peruvian novelist and Nobel laureate Mario Vargas Llosa called the "art of rocking" (*el arte de mecer*). In his words, "Rocking is keeping a person deceived and in uncertainty for a long time, but in a friendly and even affectionate way," just as one would rock a baby in a cradle. It is "a widespread practice in Peru, a national sport," he adds. It equates to making protesters believe the government is saying "yes" to their claims when it is, in fact, saying "no." Toledo, García, and even Humala would string along protesters by creating bargaining roundtables for the purpose of negotiating their claims. The roundtables raised protesters' hopes that a solution was attainable and seemed to show that the government was interested in the grievances of the towns affected by extraction. Yet these roundtables routinely promised more than they could deliver, and failed to produce politically binding commitments.

"Rocking" worked in the government's favor for at least two reasons. First, large-scale mobilizations are difficult to sustain over a long period. Protests require a lot of organization and resources. They

also require that participants devote time outside their daily routines to sustain them. So the longer the government strung protesters along, the more likely it was that the protests would die down, given the difficulties of sustaining a mobilization. Second, the geographic dispersion of protests and the fragmentation of protest organizations made such mobilizations less visible nationally—at least in the short term. These circumstances gave the government some breathing space, and minimized the urgency of action.

Overall, though, it is not immediately apparent that these three presidents had a clear strategy to deal with rising protests. This is why observers have criticized their passive response to mobilizations, if they had any response at all. "Rocked" is how aggrieved groups felt, and regardless of whether or not it was intentional, the government's ambivalent response allowed it to continue promoting the country's investment climate despite rising protests.

## INDIGENOUS INTERESTS

Similarities notwithstanding, there are a few important differences in how the presidents responded to the protests. By 2001, Toledo had become the country's first popularly elected president of Andean roots, and while in office he effectively politicized indigenous issues and made numerous overt attempts to court indigenous voters. While his government failed to address the plight of indigenous groups—particularly regarding environmental damage to their traditional lands and the dislocations that resulted from the concessions given to mining companies—his political discourse remained largely pro-indigenous and non-repressive.

García, by contrast, was willing to use the repressive apparatus of the state to confront indigenous mobilizations. In June 2009, during a protest against the opening of the Amazon for development in northern Bagua province, 33 people were killed in a single day when the police and the military cracked down. According to the Office of the Ombudsman, the dead included 23 police officers, 5 indigenous people, and 5 Bagua residents. The violence also left 200 people injured (82 with bullet injuries), and 83 were arrested.

Many observers also concur that García's response to rising mobilizations was anti-indigenous. In a series of opinion articles published in the newspaper *El Comercio* between

October and December 2007, García outlined his desire to encourage investment in the country's natural resources sector. He expressed his frustration with indigenous people living in native communities in the highlands and in the Amazon. In his view, these communities stalled the extraction of natural resources, such as minerals and woods, as a consequence of their ancestral land-ownership claims. Similarly, family fishermen opposed commercial fishing because it threatened their livelihoods. The first article in the series, entitled "Dog in the Manger Syndrome" (*El síndrome del perro del hortelano*), clearly stated the president's way of thinking, but also kindled resentment among indigenous peoples. The title refers to a commonly used idiom describing someone who deprives others of something that he himself has access to but is not using. The other essays went on to describe how to resolve this impasse, recommending, for instance, the commercialization of traditional indigenous lands on the basis of property rights.

Humala capitalized on the sentiments of aggrieved groups opposed to extraction. There are several examples showing how he has incorporated opposition demands into a wider policy agenda. Upon his election, for instance, Humala promulgated the Law of Prior Consultation, which requires the government and companies to seek a consensus with local communities before the approval of legislation to allow nearby extraction. Humala also required that mining companies pony up more funds to finance social programs; previously, their participation of mining companies in these programs was optional, and only a handful of companies were willing to take part.

More importantly, to address the "social deficit" created by two decades of economic liberalization policies (particularly the divide between Lima and the coastal on one side with the rest of the country on the other), Humala restructured the central bureaucracy: In late 2011, he created the Ministry of Development and Social Inclusion. As many observers have pointed out, social inclusion has become a defining feature of his government.

According to Humala, the government's push for social inclusion does not threaten the expansion of extractive activities. Rather, it seeks to strike a balance between mining and the social

needs of the country. "We are not anti-mining, but we have to make mining serve the whole population and not just a minority," Humala has said. Of course, statements like this make the situation look simpler than it is, yet very few would deny that Humala's ideas represent a welcome departure from García's "dog in the manger" vision. It remains to be seen what the impact of Humala's fresh political discourse and noticeable policy changes will be in terms of popular unrest. So far, they have not curbed the mobilizations.

## MIXED BLESSINGS

A couple of lessons about post-Fujimori Peru can be drawn. First, on the economic scene, the continuity of policies favoring open markets is a rare development for Peru, particularly since the return to civilian rule, and we are only just beginning to grasp the consequences. A growing middle class is visible in Lima as well as other major cities around the country. Rising incomes can also be seen. These changes have generated a sense of guarded optimism about the country's well-being.

Yet the swift rise in exports, which explains much of the expansion of the Peruvian economy, remains vulnerable to the oscillations of global markets. While China's aggressive demand for commodities

has benefited Peru and other developing economies, they could be in trouble if China and other Asian economies begin to cool down. Peru is no stranger to economic booms (for example, guano, rubber, fishmeal), and we know that the effects of these booms were short-lived. So it remains to be seen whether the outcomes of this latest mineral boom will be longer lasting.

Politically, the fragility of Peruvian parties may have been a mixed blessing for the country's economic performance. It has prevented a recurrence of the hard shifts in policy or the bold redistributive experiments of the past. Toledo, in fact, was criticized for leaving the economy on "cruise control" when his government kept the same economic policies as Fujimori's. The same may be said about García and even Humala. Yet the weakness of parties has also invited more politics onto the streets, and the parties have yet to develop a clear strategy to deal with rising mobilizations. Or by "rocking" demonstrators, maybe they have already. ■

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