Peru

South America’s third largest country, Peru has a heterogeneous population of 28 million, a third of whom live in Lima. On the UN’s 2004 Human Development Index, Peru ranks #85 of the 177 countries measured, well behind Argentina (#34), Chile (#43) and Uruguay (#46), but ahead of Paraguay (#89), Ecuador (#100) and Bolivia (#114). Seventy-five percent of Peru’s economically active population works in the informal sector while 50 percent of the population earns under $2 dollars a day. Peru is 73 percent urban, but, as the most recent elections dramatically show is seriously divided between North and South. A relatively more prosperous, ethnically mixed, modern and urbanized coast stands in sharp contrast to a largely impoverished rural, Indian Central and Southern Highlands. In this respect there are really two Perus, not unlike Mexico or Brazil. Economically re-dressing this gap and bridging the divide is the greatest challenge to new President Alan Garcia Perez.

Politically Peru is a democracy, but like many of its neighbors historically has experienced a pendulum effect, bouncing back and forth from elected leaders to military strongmen, with large doses of corruption and scandal tossed in along the way. It scores a B in the most recent (2005) Freedom House assessment of political rights and civil
liberties compared to a B+ in 2002, higher than Ecuador (B-) and about the same as Bolivia.

Certainly democracy took a beating under the decade long presidency of Alberto Fujimori (1990-2000) who, to his credit, was able to tame hyper inflation (7000% 1990) and defeat the Shining Path insurgency (1980-1995 =70,000 dead or disappeared).

However, during his mandate El Chino, as he was called, temporarily closed Congress in an auto coup in 1992, fraudulently manipulated his reelection in 2002 and stands accused today of serious human rights violations and extensive political and financial scandals.

As a result, the Peruvian Congress in 2000 declared Fujimori “morally unfit” to lead the country, prompting him to flee to Japan and seek asylum in his parents’ native land which had no extradition treaty with Peru. He is, however, still an important factor in Peruvian politics, exercising influence through a powerful mafia still embedded in various sectors of society, particularly the media and armed forces. This network was meticulously constructed by spymaster Vladimiro Montesinos, a former cashiered military officer who headed Fujimori’s National Intelligence Service (SIN) which he effectively used to defeat the Shining Path, but thereafter to target Fujimori’s political enemies. He is in prison facing multiple criminal charges, but still capable of activating this nefarious network.

In a bid to directly influence Peru’s presidential elections in June, Fujimori boldly flew to Chile from which to launch himself into the campaign either as a candidate or otherwise intervene in the contest. However, instead he was detained by Chilean authorities and is now awaiting a Supreme Court decision on his possible extradition to Peru on an array of civil and criminal charges. Still, to illustrate his continuing attraction
to many Peruvian voters (perhaps 20%), his daughter Keiko received the highest number
of votes of any candidate in the April elections for congress.

In June 2001, Alejandro Toledo, a vocal, pro democracy opponent of Fujimori
became the first president of Indian descent since Sanchez Cerro (1931-32) to be elected
president with 59 percent of the vote. His recently ended five year term as president was
characterized by solid economic growth-- around 5 percent a year, arguably the highest in
Latin America. By managing to serve out his term, Toledo also helped consolidate a
fragile democracy, despite extremely low popularity ratings-- between 10 and 15 percent.
He presided over a stable macro economy based on Peru’s considerable mining resources
which benefited from high foreign demand and prices. However, job creation lagged,
real wages stagnated and the trickle down effect of growth to the majority of the
population was negligible, contributing to a widening gap between rich and poor.

Therein lies the another imposing challenge to the newly elected president Alan
Garcia whose former term (1985-1990) ended in a debacle of financial chaos, major
human rights abuses and the continued expansion of the Shining Path insurgency. Under
a cloud of accusations of corruption and alleged use of death squads, Garcia spent nine
years in exile before returning to Peru in 2001 (the statute of limitations had expired to be
tried) to campaign for the presidency. Shedding his radical populist image for that of the
candidate of “responsible change,” (not unlike moderate leftists Lula in Brazil and
Bachelet in Chile) he advocated democracy and social justice, but without repudiating
free market principles. Thus, he pledged to maintain orthodox macro economic policy,
slash government spending and renovate Peru’s ports to become a Pacific economic
player. He also proposed an economic initiative dubbed “la sierra exportadora” that will
try to link development in the depressed southern highlands to the global, free market system. With future growth from the giant Camisea natural gas project, the new highway between Peru and Brazil and continued preferential access to the US market, Peru’s economy and Garcia’s immediate prospects look bright.

Garcia’s opponent in the elections was Ollanta Humala, a retired ultra nationalist army officer who led a failed coup attempt against Fujimori in 2000. An admirer of former president Juan Velasco Alvarado (1968-75), Humala’s “Great Transformation” platform echoed Velasco’s radical populist revolution of the early seventies. During the campaign he strongly opposed neo-liberal, globalization policies, saying that they were damaging to the popular classes and had seriously widened the gap between the rich and poor. As a remedy, he promised to veto the recently negotiated free trade agreement (FTA) with the United States, nationalize key industries and re-negotiate international commercial contracts, particularly in the mining sector.

Humala managed to garner 47 percent of the vote, as opposed to Garcia’s 53 percent, capturing all the highland departments by a wide majority, but losing Lima and the more populous coastal departments to Garcia. This split between north and south, along economic, racial, ethnic and class lines, graphically illustrates the sharp polarization of the country. Moreover since his party won a plurality in the new Congress (45 out of 117), Humala promises to be a major force in Peruvian politics with potential to block or alter the president’s program, even as he becomes the front runner for the presidency in 2011.

Bolivia
Despite two decades of neo-liberal reforms Bolivia, a country of 9 million inhabitants, 62 percent of whom are Indian, remains the South American equivalent of Haiti and Sub-Saharan Africa in terms of social indicators (health, education, employment etc). Seventy percent of Bolivians live below the poverty line, a figure that reaches 90% in the countryside where the indigenous population resides. In the highlands and inter-Andean valleys, only 7% of homes have electricity, 10% access to drinking water and 93% lack basic sanitation. From 1980-2000 per capita growth was a negative .26%. It is true that the severe austerity program introduced in 1985, three years after re-democratization, reduced hyperinflation of 23,500% to 20%, bringing about a measure of stability and limited macro economic growth. However, the neo-liberal reforms came at the high social costs of increased poverty and ever widening gap between rich and poor.

During the past two decades, not unexpectedly, political instability, endemic in Bolivian history, has intensified. Historically, Bolivian presidents on average have lasted only nine months and two were forced to resign in the last decade. Moreover, because of rising social unrest, punctuated by violent strikes, road blockades and mass mobilizations, the government has been forced to declare martial law on numerous occasions. Another factor destabilizing Bolivia’s democratic politics has been the high level of government corruption; with the country standing 84th of 91 countries on Latinobarometer’s ranking of the world’s most corrupt countries. As a result, popular dissatisfaction with Bolivia’s traditional political parties and governance has reached an all time high.
Earlier this year into this explosive socio-political mix burst Evo Morales, who was swept into power as the first indigenous president in history with an unprecedented 53 percent of the vote. As a youth he was radicalized by seeing a member of a local sindicate burned to death by the UMOPAR, a US funded anti-drug police task force during the dictatorship of Garcia Meza (1980-81). Morales is known as “Evo Bloqueador” for his role as an organizer of social uprisings that blockaded roads and organized protest marches and hunger strikes to pressure the government for change. He heads the Movimiento al Socialism (MAS), a peasant/Indian coalition of parties strongly opposed to neo-liberalism, globalization and the traditional Bolivian political system.

Practicing the politics of anti-politics, “outsider” Morales attacked the traditional political elite and parties for their endemic corruption and economic policy failures, while appealing to the indigenous Quechua and Aymara speaking Indian majority. Historically oppressed, politically inert and fragmented, the indigenous population had been experiencing a political and cultural “awakening” ever since the massive land reform of the 1952 Revolution.

A leader of the cocalero movement in Eastern Bolivia, Morales first emerged politically as head of the National Federation of Coca Growers (encompassing over 700 sindicatos) in the late nineties. (Coca growing, according to a WOLA report in 2002, represents a $500 million industry). At the same time, he attracted a large Indian constituency throughout the country with his embrace of ethnic culture and politics, evoking past indigenous rebels such as Tupac Katari. Moreover, he and others took advantage of new decentralization laws to get indigenous leaders elected in rural municipalities. He further widened his national base of support by his out spoken
opposition to globalization and free trade, targeting the US, particularly its coca
eradication policies, as the enemy while calling on the government to exert state control
over natural resources. Perhaps, most controversial has been his allying with Fidel
Castro and Hugo Chavez in forming a continental anti-imperialist alliance against the
United States and acceptance of the latter’s financial support to bolster his new
government. This has meant favorable trade agreements and substantial international
aid in petro dollars from Venezuela as well as large numbers of Cuban doctors and
teachers for desperately needed social projects.

Two events in particular raised Morales public profile. First, the Water War in
early 2000 which involved widespread popular resistance to drastic increases in the price
of drinking water after the sale of the public water utility to a foreign firm. He ordered
cocaleros to blockade highways in Cochabamba and effectively articulated the concerns
of rural Quechua-speakers in the region in their native language. The Water War was a
forerunner of the Gas War in October, 2003 in which Morales effectively helped
mobilized popular opposition against a proposed contract from multinational companies
to develop and market Bolivian gas fields. It resulted in the ousting of President Sanchez
Losada later that month. The Gas War should be seen in the context of 500 years of
history in which Bolivian mineral wealth was plundered first by the Spanish during the
colony (silver) and then by elites and their foreign allies in this century (silver, tin, oil) to
the detriment of the Indian majority. Furthermore, the large gas deposits and their profit
potential in Santa Cruz has led to calls for greater autonomy, even secession, from the
eastern lowland departments over the issue of potential gas revenues being drained to the
La Paz government in the poorer western highland region.
After six months in power Morales faces the challenge of carrying out his campaign program for radical change which include

1. The writing of a new constitution to incorporate Indian demands for greater inclusion and empowerment by the newly elected Constituent Assembly scheduled to meet in August

2. The nationalization of hydrocarbons and other natural resources (begun on May 1 with the gas fields)

3. Defense and industrialization of the coca leaf

4. Definition of policies, as much national as foreign, independent from pressures from the United States

With public opinion ratings of around 80, Morales faces sky high public expectations to deliver on his promise of a radical restructuring of the country. One of the major questions he faces is how to finance this Great Transformation? If one juxtaposes these challenges with the high state of politicization of the Indian masses and the historic fact of the “revolving door” of the presidency, then Morales clearly has his work cut out for him. To counteract a possible coup, for example, he has already moved to restructure the military high command, promoting a relatively low-ranking general to commander in Chief of the Armed Forces which led to the retirement of twenty-eight of his erstwhile superiors.

Morales’ plan to pursue zero cocaine as he continues to represent the cocaleros risks losing almost half of the $360 million in annual international aid that is contributed to Bolivia, most of it from the US and directed towards the repressive drug war. Impelled by the poor, discontented yet politicized Indian majority who have been empowered by their collective ability to force change and who have an abiding hatred of
the traditional political system as well as globalization, Morales now must guide the new Constituent Assembly to create a legal order with greater legitimacy grounded in true democratic deliberations.

Finally, will Morales move towards Chavez and what Jorge Castaneda has called the “wrong” left or take a more moderate or “right” leftist position like Kirschner in Argentina or Lula in Brazil? Much hinges on his position towards the United States which is still a major trading partner of Bolivia. To continue with his anti US rhetoric and threat to fully nationalize major industries, would deter both aid and investment from the United States which could damage an already fragile economy and democracy. These are some of the major issues that will test the new President’s political mettle as never before.

**Ecuador**

Ecuador is a country of 13.5 million inhabitants whose ethnic composition is essentially mestizo (65%), but with a substantial Amerindian population (25%). Like its other Andean counterparts, historically it has a long history of political instability, extreme concentration of wealth and political exclusion based on race and ethnicity. A trope of the latter is Jorge Icaza’ famous novel *Huasipungo* which graphically describes the downtrodden, quasi-slave existence of the country’s hacienda *pongos* or Indian debt peons. Similarly Ecuador’s past is replete with caudillismo, populism, clientelism, corruption and regionalism, the latter highlighted by a “tale of two cities.” Guayaquil (2M) is a dynamic, commercial, large scale exporting port on the Pacific perpetually
aggrieved by its smaller farming/business and bureaucratic highland rival and capital city Quito’s (1.5 M) power to capture and expend the bulk of its customs revenues and taxes.

Although it has been nominally democratic for the last quarter century, Transparency ranks Ecuador the lowest of 66 countries, making it arguably the hardest to consolidate democracy because of its endemic, high level of public corruption. Negative social indicators also work against political stability and democratization. Seventy percent of the population lives in poverty on less than $42 a month (90% in rural areas) in contrast to 43% in Latin America. Shockingly 45% of children under age five are malnourished! The extreme inequality and poverty of the country, again like its Andean counterparts, has lessened the appeal of incremental reform and led to the persistent appeal of populism and messianic leaders who promise a new world. Over the past decade no Ecuadorian president has lasted out his term while the country has seen seven presidents come and go in another version of the Andean “revolving presidential door.”

Ecuador’s economy is dependent on oil exports, just as historically it was for cacao (1870s-1920s) and bananas (1948-62). In recent years, oil has accounted for 40% of the country’s export earnings and one-third of the central government revenues. Moreover, petroleum reserves and rising production and prices have enabled Ecuador, like other primarily oil rich countries, to borrow heavily abroad, increasing its current foreign debt to over $18 billion, 40% of its GDP. Such export dependency in the late 1990s drove the economy into free fall in 1999 when world petroleum prices declined sharply and El Nino produced disastrous coastal flooding. The GDP contracted more than 6% while real wages dropped 40% (1998-2000) and the currency depreciated by 70%. This resulted in a dramatic worsening of poverty, the virtual collapse of the
banking system (also the result of de-regulation and corruption) and default on the national debt.

The government resorted to several remedies to stem the economic meltdown.. In return for loans from the IMF (conditionality) it agreed to severe austerity measures. Then the economy was “dollarized,” with the greenback replacing the sucre as the official currency. Finally, the government authorized a bailout of the bankrupt banking system to the tune of $6 billion or 23% of GDP ((1998-99), with many bankers fleeing the country in the face of corruption charges. The $6 billion bailout was the total amount spent on public health over 39 years! Social spending was also cut 50%.

Needless to say this near total economic collapse took a toll on the fragile, nominally democratic political system that had already been damaged in the mid nineties under the reckless populist regime of Abdala Bucaram. Narrowly elected president in 1996, the flamboyant Bucaram, former mayor of Guayaquil, proceeded to pack the government with relatives, allegedly steal $22 million from government coffers and engage in some bizarre public behavior. The latter included releasing his own CD entitled “A Crazy Man Who Loves,” dancing with scantily clad women in Quito discos while singing “Jail House Rock” in Spanish, serenading the International Miss Banana contest winner and calling an ex president a donkey! After seven months in office, Congress, probably unconstitutionally, impeached the president on charges of being mentally unfit for the office.

Bucaram was followed in the presidency after interim governments by another Lebanese descendent, Jamil Mahuad (1998-2000) under whose watch the economy collapsed. He was then overthrown by a military coup, led by a cabal of radical junior
officers headed by Col. Lucio Gutierrez and strongly supported by the Confederation of Indigenous Nationalities of Ecuador. CONAIE represented a stirring of the country’s native peoples, not dissimilar to events in neighboring Bolivia. Founded in 1985 and called by one observer the most significant event in recent Ecuadorian history, CONAIE sought to guarantee the country’s indigenous population a political voice by mobilizing various protests against the government’s neo-liberal policies which it claimed had caused the 1999 economic meltdown. Senior officers managed to wrest control of the junta and new elections brought centrist Gustavo Noboa (2000-2003), reputedly the country’s richest person, to power. In the following elections leftist Gutierrez (2003-05) who had engineered the coup against Mahuad, won the presidency with a populist agenda aimed at attracting the poor and dispossessed, including CONAIE. By 2002-03 dollarization and rising oil prices had stabilized the economy and restored growth to its pre-crisis level, but widespread popular opposition to populist Gutierrez’ about face embrace of neo-liberal policies resulted in his abandoning the country, to be replaced by his VP Alfredo Palacios (2005-present).

All of this suggests that Ecuador has been unable to resolve its four main problems: the great divide between rich and poor, despite the oil bonanza; the persistent rivalry between port and capital; the “boom-bust” dependent nature of the export economy and an unstable political system characterized by weak institutions, elite domination and governments that have continued to turn over on average every two years since Independence. Ecuador now faces a new presidential election in October, with no favorite emerging so far from a slew of candidates and parties. Prospects for a stable government, which will probably be decided in a run-off, to emerge from the election are
slim. Whoever wins the election will be forced to build a coalition in Congress which remains fragmented. A weak president will probably be unable to undertake the necessary reforms to strengthen the country’s weak political institutions, reduce public corruption and raise the efficiency of the state.

With windfall oil revenues filling government coffers because of high oil prices, the new government will be under pressure to spend more on social projects, healthcare and education. The lack of fiscal discipline, corruption and inadequate institutional oversight will erode the effects of increased spending, and public discontent with the political class and system will remain widespread. All this will play into the problem of the presidential revolving door and chronic political instability, making it unlikely that whoever is elected will fill out his term.