

Eighth Edition

LATIN AMERICAN POLITICS AND DEVELOPMENT

EDITED BY

HOWARD J. WIARDA
AND HARVEY F. KLINE

LATIN AMERICAN POLITICS AND DEVELOPMENT

EIGHTH EDITION

Edited by

Howard J. Wiarda, *University of Georgia*

Harvey F. Kline, *University of Alabama*



WESTVIEW
PRESS

A MEMBER OF THE PERSEUS BOOKS GROUP

Westview Press was founded in 1975 in Boulder, Colorado, by notable publisher and intellectual Fred Praeger. Westview Press continues to publish scholarly titles and high-quality undergraduate- and graduate-level textbooks in core social science disciplines. With books developed, written, and edited with the needs of serious nonfiction readers, professors, and students in mind, Westview Press honors its long history of publishing books that matter.

Copyright © 2014 by Westview Press
Published by Westview Press,
A Member of the Perseus Books Group

All rights reserved. Printed in the United States of America. No part of this book may be reproduced in any manner whatsoever without written permission except in the case of brief quotations embodied in critical articles and reviews. For information, address Westview Press, 2465 Central Avenue, Boulder, CO 80301.

Find us on the World Wide Web at www.westviewpress.com.

Every effort has been made to secure required permissions for all text, images, maps, and other art reprinted in this volume.

Westview Press books are available at special discounts for bulk purchases in the United States by corporations, institutions, and other organizations. For more information, please contact the Special Markets Department at the Perseus Books Group, 2300 Chestnut Street, Suite 200, Philadelphia, PA 19103, or call (800) 810-4145, ext. 5000, or e-mail special.markets@perseusbooks.com.

Designed by Jack Lenzo

Library of Congress Cataloging-in-Publication Data

Latin American politics and development / edited by Howard J. Wiarda, University of George, Harvey F. Kline, University of Alabama.—Eighth edition.

pages cm

Includes bibliographical references and index.

ISBN 978-0-8133-4904-6 (pbk.)—ISBN 978-0-8133-4905-3 (e-book) 1. Latin America—Politics and government. I. Wiarda, Howard J., 1939– II. Kline, Harvey F.

F1410.L39 2014

320.98—dc23

2013025394

10 9 8 7 6 5 4 3 2 1

PERU IN THE
 TWENTY-FIRST CENTURY:
 CONFRONTING THE PAST,
 CHARTING THE FUTURE

Julio F. Carrión and David Scott Palmer

Even in a region known for its diversity, Peru stands out. Within its borders are more subclimates than in any other Latin American country. A coastal desert gives way inland to imposing peaks of the Andes, high plains, and intermountain valleys, which in turn fall off to the dense tropical rain forest of the Amazon Basin. The population of thirty million is equally varied: large clusters of indigenous peoples in the highlands and scattered communities of jungle counterparts; descendants of the Spanish conquerors, colonists, and Afro-American slaves; European, Middle Eastern, Chinese, Japanese, and Korean immigrants; and a majority of mixed-race mestizos. The economy includes a significant export sector based on copper, gold, iron ore, zinc, and oil; fish and fish meal; and farm products from recently modernized, totally irrigated coastal agriculture. Politics may be characterized over Peru's more than 185 years of independence as alternating between one form of authoritarian rule and another, with occasional forays into formal democracy.

More than three decades have elapsed since the end of military rule in 1980. Yet Peru is still confronting the consequences of a succession of failed civilian governments, rampant economic mismanagement, and widespread political violence. In addition, Peruvians are still divided by a highly controversial elected regime that provided the benefits of pacification and economic stabilization, on one hand, but brought autocratic governance and pervasive corruption, on the other. At the same time, the dramatic improvement of sociodemographic indicators and rapid



PERU

economic expansion since the early 2000s have prompted many to wonder if Peru is on the brink of a significant developmental leap. Nevertheless, some also question the sustainability of an economic model that relies heavily on commodity exports. In addition, citizens bitterly complain about failing public schools, rampant citizen insecurity, corrupt state officials, ineffective political institutions, and an archaic and ineffectual judicial system. It seems that the challenges of charting the future cannot be properly addressed without first confronting the legacy of the past. In short, Peru's democracy is still a work in progress.

GOVERNMENTS BEFORE 1980: AUTHORITARIANISM DOMINATES

Since Peru's independence in 1821, authoritarian regimes of one stripe or another have dominated the political landscape. There have been only brief interludes of elected civilian rule.

Early Years (1824–1895)

Because Peru had been the core part of a larger viceroyalty during the colonial period, it took some time simply to define the country's national territory. The boundaries were roughly hewn out between 1829 and 1841. Once the boundaries were more or less settled, there remained the key problem of establishing reasonable procedures for attaining and succeeding to political office. Peru had at least fifteen constitutions in its first forty years as an independent country, but force remained the normal route to political power. Of the thirty-five presidents during this period, only four were elected according to constitutional procedures, and no civilians held power for more than a few months. Regional caudillos often attempted to impose themselves on the government, which by the 1840s was becoming an important source of revenue because of the income from guano exports.

Unlike much of Latin America during the nineteenth century, Peru was divided politically less by a conservative-liberal cleavage and more by the issue of military or civilian rule. By the 1860s partisans of civilian rule were beginning to organize themselves into a *civilista* movement. The War of the Pacific (1879–1883), in which Chile fought against Peru and Bolivia, dramatically demonstrated the need for professionalization of the Peruvian military and helped provoke the formal establishment of the Civilista Party, as well as a number of more personalistic contenders. The eventual result was Peru's first extended period of civilian rule, starting in 1895.

The War of the Pacific also more firmly embedded the tendency to depend on foreign markets, entrepreneurship, and loans. War debts of more than US\$200 million were canceled by British interests in 1889 in exchange for Peru's railroads, the Lake Titicaca steamship line, a large tract of jungle land, free use of major ports, a Peruvian government subsidy, and large quantities of guano.

Limited Civilian Democracy (1895–1919)

Peru's longest period of civilian rule began in 1895. Embracing neopositivist ideals of renovation, modernization, and innovation, the civilian elite also advanced the classic liberal precept of a government that would serve to enhance the capacity of

the private sector. Their main political objective was modest: keeping civilians in power through increased government expenditures for communications, education, and health. These were financed by taxes on rapidly expanding exports, revenues from new foreign investments (largely US), and new foreign loans after Peru's international credit was restored in 1907.

The civilian democratic interlude did not last. Many factors explain its demise. First, the Civilista Party, although reasonably well organized, suffered periodic severe internal divisions. Other parties, such as the Liberal, Democratic, and Conservative parties, were personalistic, rising and falling with the fortunes of their individual leaders. Second, there was severe domestic inflation precipitated by the international economic crisis accompanying World War I. Third, elite-oriented parties were increasingly unwilling to respond to a wide array of demands from new groups entering the political system as the result of expanded government services, especially education. Also corrosive to civilian rule were the actions of some leaders themselves. In particular, Presidents Augusto B. Leguía (1908–1912, 1919–1930) and Guillermo Billinghurst (1912–1914) operated in self-serving and personalistic ways. Billinghurst, once elected, eschewed Civilista Party support to make populist appeals to the Lima masses.

Although he was beholden to the commercial elite, Billinghurst did not try to work within the party or the economic elite to try to bring about some quiet accommodation that might have avoided a confrontation. Growing dismay among elite members gradually drew them to the military, which intervened just long enough in 1914 to remove Billinghurst from office. Leguía, after ruling constitutionally during his first presidency, ended once and for all the shaky civilian democracy in 1919. Rather than work out a behind-the-scenes accommodation with opposition elements in 1919 after he won democratic election, he led his own successful coup and ruled without open elections until ousted by the military in 1930.

Populism, Mass Parties, and Veto Coups (1919–1968)

The populism of this period took two forms: civilian, exemplified by Leguía, and military, best illustrated by General Manuel Odría (1948–1956). Both forms were characterized by efforts to stymie political organizations and to encourage loyalty to the person of the president through favored treatment for the elites and by the distribution of goods, jobs, and services to politically aware nonelites. Both forms were also marked by favorable treatment for foreign investors and lenders, thereby maintaining external dependence relationships.

Both civilian and military populism had several important effects on the Peruvian political system. They permitted elites to retain control through their narrowly based interest group organizations (the National Agrarian Society, SNA; the National Mining Society, SNM; and the National Industrial Society, SNI) and their clubs (Nacional and La Unión). When confronted after 1930 with Peru's first mass-based political party, the American Popular Revolutionary Alliance (APRA), the elites were forced to rely on the military to carry out their political will because they had no comparable party to which they could turn. The military, in turn, found it could accomplish its own objectives through veto coups to keep APRA out of power. Thus populism, by discouraging political parties, contributed significantly to continued political instability.

Between 1914 and 1984, the only elected civilian to complete a term, his first, was Manuel Prado (1939–1945, 1956–1962). Why he did so is instructive. He was of the elite and accepted by it. He did not try to upset the status quo. He gained the military's favor by supporting its material and budget requirements. He reached an implicit *modus vivendi* with APRA. Finally, he happened to be president during a period when foreign market prices for Peruvian primary-product exports were relatively high and stable.

Perhaps the most important political event in pre-1968 Peru was the organization of APRA. Although founded in Mexico by exiled student leader Víctor Raúl Haya de la Torre in 1924, APRA soon became a genuinely mass-based political party in Peru with a fully articulated ideology. By most accounts APRA was strong enough to determine the outcome of all open elections held in Peru after 1931. For more than fifty years, however, the military ensured that the party would never rule directly.

Although APRA has had a strong popular appeal, the party's importance for Peruvian politics rests on its reformist ideology and its organizational capacity. APRA absorbed most of the newly emerging social forces in the more integrated parts of the country (with the exception of Lima) between the 1920s and the 1950s, most particularly labor, students, and the more marginal middle sectors of the north coast. The party's appeal thus helped prevent the emergence of a more radical alternative. Furthermore, even though APRA was an outsider for most of the period from its founding to 1956, it never overthrew the status quo. At key junctures the party leadership searched for accommodation and compromise to gain entry even while continuing to resort to assassinations and abortive putsches in trying to impress political insiders with its power. Between 1956 and 1982 APRA became a center-conservative party willing to make almost any compromise to gain greater formal political power. Although such actions discredited the party for many, APRA remained Peru's best-organized and most unified political force.

The Acción Popular Party (AP), founded in 1956 by Fernando Belaúnde, brought reformist elements into the system just as APRA had done before. AP's appeal was greater in the sierra and south, where APRA was weak. Thus the two parties complemented each other by region, and between them they channeled into the system virtually the entire next wave of newly mobilized popular forces.

Growing economic difficulties in 1967 and 1968 eroded public confidence, and a poorly handled International Petroleum Corporation nationalization agreement sealed Belaúnde's fate. On October 3, 1968, with a bloodless coup, the armed forces began long-term, institutionalized military rule in Peru.

Reformist Military Rule (1968–1980)

"The time has come," stated the new military regime's first manifesto, "to dedicate our national energies to the transformation of the economic, social, and cultural structures of Peru." Past governments had declared their intention to change Peru, but this one was prepared to act. What was surprising, given Peru's history of military intervention on behalf of the elites, was that a major reason for the 1968 coup occurred was the Belaúnde government's failure to deliver on promises of significant reform.

During this twelve-year period (the *docenio*) the military became an instrument for reform in Peru mostly because of developments related to the military itself.

One was the officers' educational experience after the mid-1950s in the Center for Higher Military Studies (CAEM). Another was a small but intense antiguerrilla campaign in 1965. Third was the effect on military institutional development of continuous US military training from the 1940s through the 1960s. Fourth was the US government's decision in 1967 not to sell jet fighter planes to Peru, which crystallized nationalist sentiment. Last was a vigorous and successful army-led civic action program after 1959. These factors prompted most of the officer corps, at least within the army, to conclude that the best protection for national security was national development. In their view, civilian politicians and political parties had failed to meet the development challenge in the 1960s. Many officers concluded that only the military, with its monopoly on legitimate force, was capable of leading Peru toward this goal.

Once in power, the military called itself revolutionary but practiced reform. Almost without exception, the 1968–1975 policy initiatives were based on the twin assumptions of continued economic growth, with improved distribution of this growth, and the willingness of economic elites to accept incentives to redirect their wealth toward new productive activities. Significant changes occurred. One of the most important was the rapid expansion of state influence and control. New ministries, agencies, and banks were established; basic services were nationalized, as were some large foreign companies in mining, fishing, and agriculture, with compensation and reinvestment incentives; and state enterprises or cooperatives were established in their place. Important areas of heavy industry were reserved for the state, new investment laws placed various controls on the private sector, and government employment mushroomed. At the same time Peru pursued the objective of enhancing development by diversifying its external relationships, thereby reducing the country's economic and political dependency.

Another significant initiative was a large-scale agrarian reform program, which effectively eliminated large private landholdings. About 360,000 farm families received land between 1969 and 1980, most as members of farm cooperatives. Commitment to cooperatives illustrated the regime's concern for popular participation at various levels. Neighborhood organizations, worker communities, and cooperatives of several types proliferated after 1970, as did various coordinating bodies. All of these changes represented substantial adjustments in past practices and for a time appeared likely to succeed.

A number of factors led to the regime's undoing. First and most fundamental was that the military's reform plans were much too ambitious. Leaders wanted to do too much in too many areas in too short a time. In addition, success was premised on continued economic growth, which stopped after 1974 when economic difficulties multiplied. With locally generated resources not available as expected, the military government turned to foreign loans, often short-term ones, to keep up the momentum, which produced a severe debt crisis by 1978. Also, those in power failed to consult with the citizenry, the presumed beneficiaries of the reforms. This neglect contributed to popular resentment and mistrust. Finally, the illness after 1973 of the head of state, General Juan Velasco Alvarado, contributed to a loss of the institutional unity of the armed forces themselves, which his dynamic and forceful leadership had helped to instill. The eventual result was a mixture of old and new

programs in yet another overlay, which was increasingly ill-financed, confusing to citizens, and ultimately unsuccessful.

An August 29, 1975, coup, led by General Francisco Morales Bermúdez and supported by the military establishment, gently eased out the ill and increasingly erratic General Velasco. With the exception of the agrarian reform, initiatives were quietly abandoned or sharply curtailed. By 1977 mounting economic and political pressures prompted the military regime to initiate a gradual return to civilian rule.

THE TRANSITION TO DEMOCRACY IN 1980: ECONOMIC CRISIS AND POLITICAL VIOLENCE

The constituent assembly elections in 1978 opened the process of transition to democratic rule. They also represented another political milestone because they included participation by an array of leftist parties, which garnered an unprecedented 36 percent of the vote, although APRA won the most seats. The assembly itself was led by APRA founder Haya de la Torre—another first, given the long-term animosity of the military. These elections also marked the beginning of significant involvement in the system by the Marxist left. The assembly produced the constitution of 1979, which set up national elections every five years and municipal elections every three years, beginning in 1980. One irony of the elections was that they returned to the presidency the same person who had been so unceremoniously unseated in 1968.

This time Belaúnde's AP was able to forge a majority in congress, in coalition with the small Popular Christian Party (PPC), and won the first plurality in the municipal elections as well. However, events conspired once again to make life difficult for the governing authorities. Inflation continued to increase, reaching 60 percent in 1980 and exceeding 100 percent by 1984. The recession deepened, with GDP actually declining by over 10 percent in 1983 and real wages eroding during Belaúnde's second administration (1980–1985) by over 30 percent. World market prices for Peru's exports—copper, oil, sugar, fish meal, and minerals—remained low or declined even further. Devastating weather accompanied the arrival in 1982 of the El Niño ocean current, and crops and communications networks in the northern half of Peru were destroyed by rain and flood, while in the south crops withered as a result of drought.

Given such unfavorable economic developments, the foreign debt burden became even more onerous, increasing from US\$8.4 billion in 1980 to over US\$13 billion by 1985. International Monetary Fund (IMF) agreements provided new funds and debt refinancing, but they also imposed economic restrictions. With the domestic controversy that ensued, Belaúnde hedged on IMF strictures, which provoked a breakdown in the agreement and left a substantial burden for the next administration.

Another major challenge for the government and the democratic regime was the Shining Path guerrilla movement. Originally based in the isolated south-central sierra department of Ayacucho and headed by former professors and students from the local University of Huamanga, Shining Path advocated a peasant-based republic forged through revolution. The group's ideology was Marxist-Leninist, based on the principles of Mao and José Carlos Mariátegui, a leading Peruvian intellectual of the 1920s who founded what became the Communist Party of Peru. After some fifteen

years of preparations—which included study groups, control of the University of Huamanga, leadership training in China, and work in the indigenous peasant-dominated local countryside—Shining Path launched its people's war on the very eve of the May 1980 national election that ended the military docenio.

The Belaúnde administration did not take the group seriously for almost three full years. Only in December 1982 did the government declare Ayacucho an emergency zone and send the military to deal with the problem. By the end of Belaúnde's term thousands had perished in the violence, human rights violations had skyrocketed, and more than US\$1 billion in property damage had occurred. The emergence in 1984 of a new guerrilla group, the Túpac Amaru Revolutionary Movement (MRTA), added to popular concerns over the spreading political violence.

Such economic and political difficulties substantially weakened popular support for Belaúnde and the AP in the 1983 municipal elections. In the 1985 presidential vote the AP candidate was routed, gaining only 6 percent of the total. The largely Marxist United Left Party (IU) garnered 21 percent for its candidate, Alfonso Barantes, and a rejuvenated APRA won with 46 percent with its youthful (thirty-six-year-old) standard-bearer Alan García Pérez (1985–1990).

The García victory was doubly historic: after a fifty-five-year struggle APRA had finally gained both the presidency and a majority in both houses of congress. Additionally, for the first time since 1945 and only the second time since 1912, an elected civilian president handed power over to an elected successor. The 1986 municipal elections also saw substantial APRA gains, including for the first time ever the mayoralship of Lima.

Alan García's forceful, nationalistic leadership put the international banking community on notice that Peru would be limiting repayments on its debt (now over US\$14 billion) to 10 percent of export earnings. Domestic initiatives, especially in agriculture, contributed to long-overdue economic growth at rates of 9 percent in 1985 and 7 percent in 1986. But the recovery ran out of steam in 1987. The economy never did recover from the president's surprise bank nationalization that year, even though this ill-considered attempt ultimately failed.

The second half of García's term was an unmitigated disaster. Peru suspended all foreign debt repayments, which resulted in international credit drying up. Inflation skyrocketed to 1,722 percent in 1988, 2,600 percent in 1989, and 7,650 percent in 1990. The economy declined by more than 20 percent during this period. Political violence, which had ebbed between 1985 and 1987, surged anew. By the end of the García government in 1990 casualties exceeded fifty thousand and direct and indirect damages were more than US\$14 billion. Total foreign debt with arrearages was over US\$23 billion. Not surprisingly, García's popularity plummeted from an 80 percent favorable rating early in his term to single digits near the end.

THE FUJIMORI ERA: THE AUTHORITARIAN RECONSTITUTION OF THE STATE

In this challenging context, Peruvians went to the polls in 1990. From virtual oblivion, Peru's right reemerged, centered on the capacity of the novelist Mario Vargas Llosa to galvanize popular concern over President García's failures. A new coalition,

the Democratic Front (FREDEMO), was formed among conservative and centrist parties, and it was able to win more mayoralties in 1989 than any other group.

In the run-up to the April 1990 national elections, opinion polls made Vargas Llosa the heavy favorite. Many were stunned when a political newcomer, National Agrarian University president Alberto Fujimori, came from less than 3 percent in the polls a month before the vote to finish second with 25 percent to Vargas Llosa's 28 percent. In June Fujimori won easily in the runoff between the top two contenders. His victory was explained as the product of popular frustration with politics as usual and Vargas Llosa's overidentification with politicians of the right.

Once in office President Fujimori launched an economic shock program even more severe than Vargas Llosa's proposal during the campaign. He argued that economic recovery could not be secured until Peru's economic mess had been straightened out and the country's international credit standing restored. In the short run, however, his drastic measures accelerated inflation to historic highs, further reduced domestic economic activity (28 percent in 1990), and pushed twelve million to fourteen million more Peruvians below the poverty line (60 to 70 percent of the population). Congress went along for the most part, even though Fujimori's party grouping, Cambio 90, held only about one-quarter of the seats. Surprisingly, most Peruvians also went along; Fujimori's support in opinion polls remained consistently above 50 percent.

By early 1992 such drastic measures began to produce results. Inflation was sharply reduced, running at only 139 percent in 1991. International economic reinsertion moved forward after foreign debt payments and negotiations with the international financial institutions were resumed in late 1990. Signs of economic recovery also began to appear. Beginning in October 1991, the United States increased bilateral economic assistance and initiated its first substantial military aid in over twenty years.

Peru's congress became more restive and assertive, particularly with human rights issues, but did authorize emergency executive-branch decree powers and approved most initiatives. Although political violence continued to be a serious problem, government forces had also had some successes against both Shining Path and the MRTA. Given such positive momentum, few were prepared for Fujimori's April 5, 1992, *autogolpe*—a coup d'état in which, despite having come to power through legal means, Fujimori dissolved the national legislature and assumed extraordinary powers.

This "temporary suspension" of democracy, dissolving congress and the judiciary with the backing of the armed forces, drew immediate and almost universal international condemnation. The United States immediately suspended assistance except humanitarian and counternarcotics aid. It also used its influence to ensure postponement of Peru's international economic reinstatement as well as of new aid by most of the dozen countries making up the Peru Support Group. The Organization of American States (OAS) pressed vigorously for democracy's reinstatement.

Fujimori, chastened by the intensity of the international response, agreed immediately to prompt electoral restoration. This was accomplished with national elections under OAS oversight for a new, smaller, one-house congress cum constitutional convention in November 1992 and municipal elections two months later. Results included marginalization of traditional parties, greater concentration of power

in the presidency, and a congressional majority that supported Fujimori. Furthermore, former president García was forced into exile after the autogolpe and lost his leadership role in APRA. The new constitution was narrowly approved (52 to 48 percent) in an October 1993 referendum. It recentralized government authority, established the basis for privatization and economic liberalization, and allowed for the immediate reelection of the sitting president.

As the autogolpe worked out, Fujimori was very much the winner. However, his April 1992 action could easily have been disastrous. Suspension of economic assistance postponed economic recovery in Peru by at least a year. Shining Path expanded recruitment and violence and began to predict imminent revolutionary victory. What saved Fujimori's authoritarian gamble was the careful police work of a small, specialized antiterrorist group in the Ministry of the Interior, formed under García, which paid off with the dramatic capture of Shining Path leader Abimael Guzmán and key lieutenants on September 12, 1992. Several hundred other guerrilla operatives were rounded up in the following weeks, thwarting what was to have been a massive offensive to close out the year. Tougher antiterrorist decrees issued in the aftermath of the autogolpe permitted rapid trials in military courts and life terms without parole for some two hundred key figures. The fortuitous capture of Guzmán, however, was the major event that legitimated the autogolpe; not only did it help pacify the country but it also gave the Fujimori government the political space to pursue its ambitious national reconstruction agenda.

President Fujimori's government engaged in multiple machinations to remain in office, but he also had a broad base of popular support. Such approval stemmed largely from his government's ability to drastically reduce political violence and to restore economic and political stability. Inflation virtually ended (dropping from 57 percent in 1992 to 3 percent by 2000), and with economic liberalization and reinsertion into the international financial community, Peru's economic growth averaged over 7 percent from 1994 through 1997. Between 1993 and 1998, Peru received over US\$10 billion in new investment and US\$8 billion in new loans, and it restructured its foreign debt under the Brady Plan, reducing its debt by more than US\$5 billion to just under US\$19 billion by 1997. A variety of innovative local microdevelopment initiatives reduced extreme poverty by more than half from 1991 through 1998 (from 31 percent to 15 percent) while also creating hundreds of new community organizations to administer the projects.

Over the course of the Fujimori decade, political parties were further undermined by a combination of their own limitations and government actions. Independent groups, including the president's, proliferated, dominating the 1995 national elections and the 1995 and 1998 municipal votes. No traditional party except APRA received over 5 percent of the vote in the 1995 national elections—a dramatic turnaround from the 1980s.

After a clear mandate in 1995 (64 percent of the valid vote and a majority in congress) President Fujimori called for "direct democracy without parties or intermediaries" and increased expenditures for local development as well as initiating monthly stipends directly to municipal governments. However, his government also changed the political rules—often arbitrarily and unconstitutionally—to keep a robust political party system from reemerging and to undermine the opposition's electoral campaigns. Intimidation tactics included wiretaps, physical assault, and character

assassination campaigns orchestrated by the Peruvian National Intelligence System (SIN), directed by Fujimori's closest ally and confidant, Vladimiro Montesinos. The regime also thwarted a 1998 national referendum on a third term (for which 1.4 million signatures had been secured) through a congressional vote denying its validity.

Having rigged the electoral machinery and procedures in his favor, President Fujimori surprised no one by deciding to run for a third, constitutionally dubious term in the 2000 elections. Unlike 1995, however, he did not secure an absolute majority in the first round, nor did his supporters win a congressional majority. He was forced into a runoff with second-place finisher Alejandro Toledo, a US-educated economist from a humble indigenous background—but without political experience. The best efforts of the international community, led by the OAS Election Observation Mission, to ensure a free and fair voting process for the runoff were not successful. Toledo withdrew in protest, and the incumbent won with just 52 percent of the valid vote (about one-third of all ballots cast were spoiled in protest).

THE END OF FUJIMORI AND THE CHALLENGES OF ESTABLISHING A STABLE DEMOCRACY

Events soon revealed the pyrrhic quality of Fujimori's 2000 electoral "victory." Inaugurated amid massive protest and tear gas in July, Fujimori was gone by November. Precipitating his downfall was the videotaped revelation that SIN director Montesinos was bribing elected representatives of the opposition to ensure a pro-Fujimori majority in congress. In spite of President Fujimori's desperate moves to maintain control—including firing Montesinos and forcing him into exile, and calling for early elections in which he would not be a candidate—popular indignation overwhelmed his maneuverings. By early November opposition parties had regained control of congress. They refused to accept Fujimori's letter of resignation from Japan, where he had fled in ignominy, but declared the presidency vacant instead on grounds of "moral incapacity."

A transitional government led by president of congress and longtime AP representative Valentín Paniagua took the oath of office on November 22. Fujimori's so-called direct democracy had ended in disgrace. The Paniagua interim presidency (2000–2001), though only nine months in duration, was surprisingly effective in righting the ship of state and putting it back on course. Amid multiple new revelations of official misdoing during the Fujimori years, hundreds of former high-level civilian and military leaders were tracked down and arrested for corruption and abuse of position, including Montesinos himself from his refuge in Venezuela. A Truth and Reconciliation Commission (CVR) was established in 2001 to document the human rights abuses committed during the "people's war." Attempts to bring Fujimori back from exile in Japan to face Peruvian justice were unsuccessful, however, as it turned out that he had Japanese citizenship and could not be extradited.

THE RETURN OF COMPETITIVE ELECTIONS

New elections in April 2001 were as free and fair as those of 2000 were tainted. A hard-fought first round between Lourdes Flores Nano of National Unity (UN) on the right and Toledo of Peru Possible (PP) and APRA's García on the center-left saw

Toledo (with 37 percent of the vote) and García (with 26 percent) edging out Flores (24 percent) in the first round. Here, García's efforts to cast himself as a wiser and more experienced leader fell short. Toledo, who had led the opposition to Fujimori in the aftermath of the 2000 electoral debacle, won with 54 percent of the vote, though without a majority in Congress.

The Toledo presidency (2001–2006) stumbled politically from the start. Upon taking office in July he faced a plethora of demands from an array of local organizations, including opposition to privatization, demands for a greater share of foreign corporation taxes, and an end to coca eradication programs. Toledo's government handled these issues badly in almost every case. Amid violence and property damage, promises were made and not kept, decisions reached and reversed, and new programs announced but not funded. The president's disorganization, his libertine personal life, his assertive if talented Belgian wife, and the controversial personal advisors and family members who surrounded him all contributed to growing popular disillusionment with his administration. Toledo's popularity declined to single digits for much of his five-year mandate. This occurred even in the context of renewed and sustained economic growth and a major decentralization initiative in 2003–2004 creating elected regional governments. However tainted Toledo's presidency, though, there was never a sense that Peruvian democracy itself would collapse.

As Peruvians returned to the polls to elect a new president in 2006, unresolved developmental problems, lingering issues of inequality and social exclusion, and political discontent were clearly manifested. At the same time, economic improvement, dispersion of the *fujimorista* vote, and past centrist voting appeared to favor Valentín Paniagua, widely respected for his successful provisional government. But his candidacy failed to take off, and for a short time Lourdes Flores Nano seemed poised to improve on her 2001 performance by making it to the runoff election. Although her appeal was particularly strong in Lima and she led in the polls for many months, she was displaced by the meteoric rise of Ollanta Humala, leader of the Nationalist Party (PN). Humala, a political outsider and former military officer, waged a left-populist campaign and secured first place, while Alan García would come from behind to finish second.

In the runoff, García won a much narrower victory over Humala than polls had predicted (53 to 47 percent) by convincing enough Peruvians that he had learned from the mistakes of his disastrous first presidency. In a graphic demonstration of the political center's neglect of the periphery, however, almost all sierra and jungle departments favored Humala, while the entire coast went for García. These were the first Peruvian elections to show such geographical polarization.

Although in his 2006 inaugural address President García proclaimed his determination to deliver a major "economic shock" to develop the sierra, his administration fell far short on actual delivery. He turned out to be genuinely "reinvented" in his second term as a promoter of continued economic liberalization, including the ratification of a free trade agreement with the United States in 2007. However, most of the highlands saw few benefits. One result was that local and regional social conflicts in both sierra and jungle almost doubled. As in the Toledo government, official responses were nearly always late, ineffective, and sometimes even disastrous. One dramatic example is the abortive police effort in June 2009 to dislodge jungle

indigenous groups from a two-month highway blockade in the Amazonian town of Bagua, which resulted in at least thirty-five deaths, mostly police. In addition, regenerated Shining Path armed cadres in coca-growing regions of the Apurímac and Upper Huallaga valleys embarrassed Peruvian police and army operations on several occasions in 2008 and 2009; during this period guerrilla incidents rose to a fifteen-year high.

Another serious manifestation of the center's indifference to the sierra was the failure to implement the 2003 recommendations of the Truth and Reconciliation Commission for forensic identification of the victims of the violence in some forty-two hundred common graves, mostly in Ayacucho and most believed to be killings and interments by the military. Compensation was promised to surviving family members and to their communities. However, by the end of the García government in 2011 only the community payments had been made. For all of its success in the macroeconomic arena, the García government repeated the pattern of inattention and both inappropriate and belated responses to the multiple needs and demands of the population of Peru's periphery.

The decentralization initiatives that had begun in Fujimori's first term with funding of municipal (district) governments and which continued under Toledo with elections and funding for regional (department) governments, generating new opportunities for access by local political and social organizations, continued during the García years. These elections generated literally hundreds of local groups putting forth candidates for mayor, district council, or regional president, with a corresponding reduction in the historic concentration of political power at the national level. Although the quality and competence of such elected officials varies widely, the new array of district and regional governments with resources at their disposal offers many more opportunities for political access and for response to some local needs. At the same time, however, these elections have made the development of national parties more difficult.

THE 2011 PRESIDENTIAL ELECTIONS

Ollanta Humala ran a populist campaign in 2006, offering a radical departure from the economic model that Peru had followed since the 1990s. He proposed significant political reform as well, promising that if elected he would call for a constitutional assembly to draft a new constitution. His narrow defeat revealed worrisome undercurrents in Peruvian politics. As the new round of presidential elections approached and Humala declared his candidacy again, the question was whether additional years of economic growth had undermined his appeal among the poor and whether Peruvians would opt instead for a more moderate, democratic, and market-oriented figure.

For a while, it seemed that voters would indeed embrace such a candidate, in the figure of former president Alejandro Toledo. But a series of mistakes during the campaign deflated his candidacy and led people, especially in Lima, to take another look at Pedro Pablo Kuczynski. Known as PPK, he is an economist and technocrat who held ministerial positions during both the Belaúnde and Toledo governments. A seventy-three-year-old member of Peru's white elite, a naturalized citizen of the United States, and a successful financier and private equity investor, PPK was an unlikely

candidate to attract the support of Peruvian voters. But his dramatic rise in the polls and victory in Lima deprived Toledo of the opportunity to make it to the runoff election. As Toledo's popularity fell, the fortunes of Humala and his electoral alliance, *Gana Perú*, rose. By early March 2011 Humala had cemented his lead and was widely considered the favorite to win a plurality of the vote in the April 10 contest.

The Humala of 2011 was quite a different candidate. Acknowledging that to have a credible chance at winning the runoff election he needed to appeal to the center, he decided to moderate both his image and message. Instead of praising the virtues of Hugo Chávez and his Bolivarian government, as he had done in 2006, Humala embraced the more moderate approach followed by Brazilian president Lula da Silva. In fact, Brazilian consultants closely associated with Lula and his party became Humala's main advisors. In 2006 Humala campaigned dressed in a red T-shirt and jeans; five years later, he opted for business suits and white shirts. Mixing a message of social inclusion, moderate economic reform, and social conservatism (he opposed gay marriage and abortion rights), he won first place in the first round but failed to obtain an absolute majority.

With the center-right vote split among three different candidates (Toledo, PPK, and Luis Castañeda, leader of National Solidarity [SN]), Keiko Fujimori, oldest daughter of the former president, was able to secure a place in the June 5 runoff. As the campaign for the runoff started, Humala further moderated his proposals, announcing a "road map" that would guide his government if elected. Decidedly different from his original platform, entitled "The Great Transformation," the new platform promised to respect the independence of the Central Bank, keep inflation low, and foster economic growth while embracing social inclusion rather than radical reform. After former president Toledo announced that he would support Humala in the second round, key members of his economic team became Humala's advisors. This further cemented Humala's move to the center.

With a few notable exceptions, most of Peru's establishment and media rallied behind Keiko Fujimori due to their concerns over the populist and antidemocratic elements of Humala's candidacy. The runoff polarized Peru once again, exposed the fault lines of its society, revealed the still prevalent racism, and unmasked the authoritarian predilections of some members of the establishment. For many voters the election posed an extremely difficult choice between a candidate who might restore the authoritarian practices of the Fujimori regime and another who might undo the significant gains made in the economy and the rule of law. When Peruvians finally went to the polls on June 5, they elected Humala with the slimmest margin of any presidential election since the return to civilian rule in 1980: 51.4 percent went for Humala and 48.6 percent supported Keiko Fujimori. Less than 500,000 votes, out of 16.5 million votes cast, separated the two. Humala was able to secure the presidency because he won in all the departments he carried in 2006 plus four in which he had not: Ancash, Ica, Pasco, and Ucayali. For the first time since 1980, the winning candidate was able to claim victory without carrying the capital.

It may be still too early for a definitive conclusion, but it seems that Humala is eschewing the wave of left-wing populism that afflicts most of the Andean countries. This is really remarkable, considering that Peru exhibits many elements that might favor such a development. First of all, it has a long tradition of populist rule.

Second, the crisis of the party system has created a vacuum that could easily be filled by a populist president. Third, there is widespread discontent with the political class and institutions, providing a fertile ground for an anti-political discourse. Finally, Peru's economic bonanza has enriched state coffers, making it easier to fund social programs to benefit a populist project. It is always unwise to try to provide reasons for a nonevent, but one can speculate that Humala is probably aware that despite their low levels of approval, political institutions in Peru are stronger than they were twenty years ago and thus could more easily derail any attempt to replicate the Fujimori years. Moreover, he has not encountered serious opposition to his government to date, thus making it less necessary to consider a strategy of political confrontation to pursue his platform.

RAPID SOCIAL CHANGE AND THE PAINS OF MODERNIZATION

Peruvian society began to change in the 1950s, but social and economic change has accelerated dramatically in the last thirty years. In the 1950s Peru experienced a dramatic surge in internal migration as people from the sierra moved to Lima. This mobilization had lasting consequences. From a primarily rural society in the early 1960s, Peru is now an urban society: almost 80 percent of the population lives in the cities. Many of them, in fact, live in large cities (about 50 percent of the total population resides in cities with at least 100,000 inhabitants). Migration has also changed the main geographical distribution of the population. Today the majority (57 percent) lives along the coast, and three out of ten Peruvians reside in Lima.

The demographic changes have been no less impressive. In three and a half decades, Peru has more than doubled its population, from thirteen million in 1972 to twenty-eight million in 2007, the year of the last census. According to the projections of Peru's National Office of Statistics and Informatics (INEI), Peru reached thirty million inhabitants in 2012. The rate of growth of the population was significant in the 1960s and 1970s and has slowed somewhat since then. Two significant demographic trends merit attention. First, life expectancy continues to rise. Between 1950 and 1955 life expectancy was 43.9 years; by 2007, Peruvians could hope to live, on average, around 76 years. Second, fertility has also declined, with women having fewer children than ever. In 1977–1978, women had on average 5.4 children. In 2004, the number had dropped by more than half, to 2.4. Likewise, while infant mortality continues to be high in comparison with countries such as Chile and Argentina, this indicator has improved dramatically in the last decade. In 2000, 40.6 of every 1,000 children born alive died before they reached their first birthday. In 2012, the rate dropped to 21.5 (only slightly higher than the rates found in Brazil, Ecuador, and Venezuela).

There are other indicators of the rapid process of modernization that Peru is undergoing. Almost all households in urban areas have electricity, and 91 percent of them have running water. In addition, 85 percent of urban households are connected to a sewage network. Possession of a television set is almost universal: 80 percent of all households, 91 percent in urban areas, and 96 percent in Lima. But perhaps the indicator that best illustrates the degree of modernization is the percent of Peruvian households with at least one member owning a cell phone: it went from

16.4 percent in 2004 to 75.2 percent in 2011. In early 2012, almost 90 percent of all households in Lima had a cell phone.

Since 2001, Peru has been experiencing a remarkable period of economic growth. The economy grew by 9.8 percent in 2008, the second-highest rate in Latin America that year, slowing to 0.9 percent the following year as a result of the global economic meltdown, but resuming its pace in 2010. The economy is on track for a full decade of average GDP growth close to 7 percent. Such growth is unprecedented and is based largely on the extended expansion of commodity exports at high international prices. Domestic results include increased tax revenues, public investment, and a rapidly growing internal market, along with growing domestic and foreign investor optimism. According to the Economic Commission for Latin America and the Caribbean (ECLAC), Peru's direct foreign investment levels more than doubled between 2003 and 2011, rising from US\$3.5 million to US\$7.7 million.

Sustained economic growth has improved key indicators of well-being. Total poverty has dropped from 58.5 percent in 2004 to 30.8 percent in 2010. Urban unemployment fell from 9.4 percent in 2002 to 7.2 percent in the first half of 2012. Average monthly incomes have also increased. INEI reports that the average urban income in the third quarter of 2012 (approximately US\$515 per month) was over 7 percent higher than a year earlier. Public opinion polls also reflect more positive public perceptions of their economic situations. In 2006, 72.9 percent of respondents polled described their personal economic situation as either "good" or "fair." Six years later, that figure had improved to 84.9 percent. In the same 2006 poll, 27 percent described their personal economic situation as "bad" or "very bad"; by 2012, that figure had dropped to 15.1 percent. Even income inequality has shown modest improvement: the Gini coefficient fell from 53.2 in 2007 to 48.1 in 2010.

Peru exhibits today one of the most open economies in South America. This is largely the result of the adoption of market reforms in the 1990s during the Fujimori administration. Most state-owned enterprises were privatized, labor laws liberalized, tariffs reduced, exchange rate controls lifted, and import restrictions eliminated. The long-term modernization process and 1990s economic reforms have changed Peru's economic structure in important regards. Three changes in particular merit attention. First, agriculture's contribution to GDP has declined markedly over the past sixty years (from 14 percent in 1950 to 7.7 percent in 2008), more than replaced by expanding mining and oil production. Second, state participation in the economy has declined significantly in recent years, from a high of 21 percent in 1975 (during the reformist military government) to 6 percent in 2000 (even below the 1950 figure, 7 percent). Third, foreign capital has become much more important, contributing 28 percent of GDP in 2000 compared with 10 percent in 1950. Obviously Peru has abandoned the state capitalism of the 1970s and now embraces an economic model in which private investment, both domestic and foreign, plays a much larger role.

Despite such significant changes, Peru's economy continues to be dependent on the export of commodities and thus subject to the demands and vagaries of international markets. As a result, this recent economic growth is masking the structural weakness of relying too much on mining exports. Some economists argue that Peru is currently suffering a severe case of "Dutch disease," where the high profitability

in mining discourages investment in other sectors of the economy that may be less profitable but which are also less vulnerable to external shocks. Moreover, the massive influx of dollars associated with mining and oil exports tends to overvalue the national currency, with deleterious effects for overall long-term economic prospects.

Recent instances of social conflict in Peru have been linked to mining areas, where local communities opposing the expansion of mining activities have resorted to violence to stop them. An emblematic example of these tensions is the Conga conflict in the northern department of Cajamarca. In late 2011, Newmont Mining Company announced that the Peruvian government had approved the company's plans for a US\$4.8 billion investment in the Conga mines, which would be the largest single foreign investment in the country's history. Area residents, with the backing of the regional president, objected to the plan. They criticized the proposed investment's environmental impact and called for a regional strike. Soon the conflict gathered national attention, given the magnitude of the investment at risk and the death of five people in clashes between police and local residents in July 2012. This confrontation forced the Humala government to suspend constitutional guarantees in Cajamarca by declaring a state of emergency. These clashes undermined President Humala's promises as a candidate not to support the expansion of mining activity in the department.

Both the Conga conflict and the confrontation in the Amazonian town of Bagua are prime examples of the tensions associated with Peru's modernization process. Most urban respondents in a poll supported the Conga investment (56 percent) as long as environmental concerns were addressed. However, the local rural residents most directly affected, many in indigenous communities, were strongly opposed. Their opposition needs to be placed in the larger context of Peru's uneven modernization. The rural population is the one left behind, where all the indicators of modernization are still lagging. Their fierce resistance to the expansion of mining operations, perhaps incomprehensible to urbanites immersed in the globalization process, is a symptom of unresolved developmental issues.

Peru faces other important challenges as well as it tries to deepen its democracy. One is the deep distrust that citizens have in their political institutions and their skepticism toward democracy itself. Public opinion polls have documented the contradiction between sustained economic growth and widespread political discontent. A 2012 study places Peru among the bottom third in support for the political system among the Latin American countries where polls were carried out. In this same poll, Peru also ranks among the lowest four countries in support for the idea of democracy and for the judicial system. It is not surprising, then, that about 13 percent of those interviewed in Peru 2012 admitted to having participated in a protest the previous year, a percentage among the three highest in the region.

Another challenge is the inability of the state to provide security for its citizens. Between 1989 and 1993, homicides increased to a peak of 17.2 per 100,000 inhabitants, due largely to the Shining Path insurgency. This group's decline coincided with a sharp reduction in homicides, to 4.25 in 2002. Since then, however, violent crime has jumped significantly, to 18.58 homicides per 100,000 inhabitants in 2010, even higher than peak rates during the worst years of the political violence. In addition, Peruvians report high levels of crime victimization. A 2012 survey places Peru

second in the region in the percentage of people who say they have been victims of delinquency in the previous year and first in their perceived levels of insecurity. Not surprisingly, then, Peruvians cite violence and insecurity as the country's most important issues in 2012, even above poverty, unemployment, and the economy. In fact, the proportion of respondents who say violence and insecurity are the most pressing problems tripled from 2006 to 2012, rising from 10.7 to 30.7 percent.

AN ELECTORAL DEMOCRACY WITHOUT PARTIES

As discussed above, the impressive performance of macroeconomic indicators obscures a deeper reality of a perilous overreliance on the prices of commodities exports, which generates economic distortions that may affect Peru's long-term development. As noted also, the rapid social change accompanying modernization, but over a longer period of time, has heightened tensions between urban and rural populations and has contributed to violence and perceptions of insecurity, among other challenges. Turning to the political arena, clearly the successful completion of three consecutive rounds of presidential elections in 2001, 2006, and 2011 needs to be celebrated, for it signals the return of free and fair elections in Peru. However, this positive development may also obscure some worrisome trends in the political arena, of which the most important may well be the virtual absence of established political parties.

Peru had a developing party system during the 1980s, with AP and PPC on the right, IU on the left, and APRA in the middle of the ideological spectrum. However, the continued development of a party system was cut short by several developments. First, the AP-PPC and APRA governments performed dismally when in office. Second, the rampant and prolonged economic crisis and the violence of Shining Path and the MRTA provoked a severe decline in civil society organizations. Third, the rise of Alberto Fujimori (1990–2000) as a hegemonic political actor in the 1990s and his administration's concerted effort to undermine any source of opposition to his regime fostered an antipolitical mentality that further undermined traditional parties. The 2000 presidential election saw the emergence of new political organizations to contest Fujimori's grip on power. However, the systematic smear campaign waged against the main candidates challenging his bid for a third term contributed to their inability to consolidate as full-fledged parties.

APRA continues to be the only functioning party worthy of that name; although it has become much weaker in recent years, it remains an important presence in Peru. The problem is that the new parties have trouble planting roots in society. PP had the greatest chance, but the shortcomings of the Toledo administration and Toledo's unsuccessful bid for reelection in 2011 have weakened the party. Other parties had even more difficult times. We Are Peru (SP) and its leader Alberto Andrade failed to develop a strong party after he finished his term as Lima's mayor and tried to enter national politics, with uneven success. After a dismal performance in the 2006 election and the death of Andrade in 2009 the party faded even further. Luis Castañeda, leader of National Solidarity (SN), was elected mayor of Lima in 2002 and then reelected in 2006. Despite success as mayor, Castañeda has been unable to expand the party nationally.

These organizations have not been able to consolidate into national parties in large part because they are essentially personalistic vehicles devoid of ideology, relying on the electoral fortune of their leaders and their potential access to state resources to support clientelistic and patronage networks. Deprived of political office, these parties struggle to survive. When Toledo finished his first term, he left the country and his party went into hibernation, only to be resurrected again in 2011 when he ran for reelection. Luis Castañeda basically initiated his political career from his position as a government bureaucrat, following his appointment by Fujimori as head of the National Institute of Public Health (1990–1996) and then as president of the Fishermen's Pension Fund (1997–1999), after which he founded SN. In short, Castañeda needs to be visible in office to continue his viability as a political figure. This may well have motivated him to spearhead an ill-advised recall election in 2013 against Susana Villarán, mayor of Lima, in the hope that he would be able to run again for the office himself and thus keep his party afloat.

There is an additional reason that might explain the inability of these three parties to develop into solid national organizations. In 2002 President Toledo organized regional elections for the first time. The objective was to elect twenty-three regional presidents (one for each of Peru's departments, with the exception of Lima and Callao) under an electoral law allowing participation by local and independent slates, which did not have to be registered as national political parties. Regional elections took place in 2002, 2006, and 2010 but further eroded national parties by facilitating the participation of independent lists. A conservative count of the electoral performance of these independent lists clearly illustrates the declining importance of national parties: in 2002, independent lists accounted for 21.9 percent of votes cast, steadily increasing to 40.2 percent in 2006 and 56.4 percent in 2010.

SOCIAL GROUPS

Organized social groups have played less of a role in Peruvian affairs than in most other Latin American countries until quite recently. The reasons may be traced in part to the strong patterns of Spanish domination that inhibited growth long after the formal Spanish presence was removed. What emerged instead was a strong sense of individualism within the context of region and family for that small portion of the total population that was actually included within the nation's political system.

With the establishment of limited civilian democracy between 1895 and 1919, some of what were to become the country's most important interest groups were founded, including the National Agrarian Society (SNA), the National Mining Society (SNM), and the National Industrial Society (SNI). For a long time, however, the important decisions affecting the country were usually made in the Club Nacional, formed much earlier (1855) and the lone survivor of post-1968 reforms. Even the military operated between 1914 and 1962 largely as the watchdog of the oligarchy. Thus elites could determine policy outside the electoral arena when necessary and had limited incentives to operate within any party system.

The changes produced by the reform military governments of 1968 to 1980 overturned the old elites and gave rise to opportunities for new sets of social actors through the rapid expansion of new forms of participation. These included various

types of cooperatives in agriculture, neighborhood associations in the squatter settlements, and worker self-management communities in industry and mining. At their peak in the late 1970s such entities incorporated as many as eight hundred thousand workers.

With the restoration of civilian rule in 1980, parties and unions regained their pre-1968 roles, largely supplanting the military's model. Vigorous political participation through a score of parties covering the entire ideological spectrum characterized the 1980s, with power alternating between center-right and center-left groups at the national executive level and with substantial representation in congress by the Marxist left. In municipal elections political organizations won shares of district governments at different times, with pluralities shifting from AP to IU to APRA and back to IU. An unanticipated legacy of long-term reformist military rule, then, was to usher in a historically unprecedented level of partisan politics, institutionalized to a degree that few people foresaw and proceeding apace in spite of profound domestic economic difficulties and a substantial guerrilla movement.

However, with the breakup of IU in 1988–1989 and widespread popular disappointment with party politics as successive elected governments failed to respond to citizens' needs, political independents came to dominate national and local elections in the 1990s, and union membership declined. Fujimori's 1990 election and the 1992 autogolpe reflected the shift to antiparty politics, as did the independent-dominated 1992 congressional and constitutional assembly elections and the 1993 local elections. The result was a progressive deinstitutionalization of electoral politics and a return to more personalistic approaches at the center. Another outcome was a dramatic increase of popular organizations at the local level, as citizens sought to fill the newly available political space.

These new social actors included neighborhood/community improvement or environmental preservation groups, mothers' clubs, coca growers' associations, and school parents' organizations. Although they were usually focused on gaining official responses to immediate needs or perceived abuses, some also expressed concerns based on ethnic identification. With weakened parties and unions and new, locally directed government and nongovernmental organization programs, such newly mobilized groups filled an important role in articulating citizen demands to improve local conditions.

DOMESTIC AND FOREIGN POLICIES

Domestic Policy

Peruvian governments of most of the twentieth century can be characterized as small, centralized, and personalistic. Until the 1960s, government employees constituted a small proportion of the workforce and were usually selected on the basis of party affiliation, family ties, or friendship. Ministry bureaucracies were concentrated in Lima. Government presence in the provinces was limited to prefects and their staffs, military garrisons in border areas, small detachments of national police, schoolteachers, and a few judges, all appointed by authorities in Lima.

The government's size and scope increased considerably during the first Belaúnde administration with the establishment of new government agencies. Total

government employment increased by almost 50 percent between 1960 and 1967 (from 179,000 to 270,000), and the public sector's share of GDP grew from 8 percent to 11 percent.

However, the most dramatic changes in the size and scope of the state machinery occurred between 1968 and 1980 under the reformist military regime, which dramatically expanded government involvement in order to accelerate development. Existing ministries were reorganized and new ministries and autonomous agencies were created. By 1975 total government employment had increased by almost 70 percent over 1967 (to 450,000), and the public sector's share of GDP had doubled to 22 percent. Even with such a rapid expansion of the state, however, central government activities remained concentrated in Lima. Official funding tended to go toward construction, equipment, and white-collar employment in the capital rather than for activities in the provinces.

The political and financial crises of 1975 and the change of government brought to an end the dynamic phase of public sector reforms. Resource limitations, growing popular opposition, and the inability of the military regime to act effectively to implement its own decrees prevented full implementation of the corporatist model articulated between 1971 and 1975. The 1979 constitution, however, drawn up by an APRA-IU majority, retained the statist orientation of the Peruvian political system even as it set the basis for civilian rule.

With the return to democracy in 1980 President Belaúnde announced his intention to restore the dynamism of the private sector and to reduce the role of government. However, continuing economic problems and substantial public resistance made these changes difficult to carry out. The García government moved quickly to implement long-standing APRA decentralization goals, including regional development corporations, expanded agricultural credit, and regional legislatures, while working simultaneously to win the confidence of domestic entrepreneurs. Initial successes were substantial, but by the end of García's term, they had been overwhelmed by an ill-advised nationalization of domestic banks, soon reversed, and by Peru's worst economic crisis in one hundred years. Central government employment expanded from six hundred thousand employees in 1985 to one million in 1990—but with half the budget.

The Fujimori administration, after implementing drastic shock measures to stop Peru's economic hemorrhaging, began to move the country toward economic liberalization. This process involved selling off state enterprises created or nationalized under the 1968–1980 military regimes, retiring many government employees and reorganizing ministries to be able to dismiss thousands more, and overhauling the legal framework to favor private property and investment. Tax collection was also reorganized so that government could begin to pay its own way again. Collections increased from less than 4 percent of GDP in 1989 to 14 percent by 1995. Over the course of the 1990s more than one hundred former state agencies were privatized, generating around US\$8 billion in new foreign investment. The 1993 constitution incorporated these changes but also further concentrated power in the presidency and in central government. New government agencies, several designed to emphasize microdevelopment projects in Peru's poorest districts, began to operate in the early 1990s, as did a municipal fund to transfer resources to local governments.

Overall, the state did not become smaller during the Fujimori years, but was dramatically changed and reorganized.

The Toledo government ended some of the Fujimori regime's government agencies and reorganized others but also reduced their efficiency through political patronage. It also embarked on a new decentralization initiative in 2003–2004, which included regional elections. After 2006 the García administration engaged in further reorganization but also sustained the center's commitment to strengthen regional and local governments with additional funding and expansion of personnel. Nevertheless, even with such reinforcement and support, regional governments in particular were slow to implement meaningful development programs in their areas of responsibility. The Humala government, in pursuing the president's social inclusion agenda, has also reorganized some state agencies, most notably with the creation of the Ministry of Development and Social Inclusion. This new ministry is in charge of all social programs, including Humala's *Pensión 65* (noncontributory pension support for the elderly in situations of extreme poverty), *Cuna Más* (provision of day care facilities for rural families), and the expansion of *Juntos* (a conditional cash transfer program primarily aimed at rural households).

Foreign Policy

The combination of deep domestic economic crisis and changing international realities contributed to a dramatic shift in Peru's foreign economic policies in the 1990s. Privatization and economic liberalization opened up the country once again to private investment. Economic nationalism receded rapidly as a cornerstone of Peru's foreign relations. Over the 1990s scores of public enterprises were privatized, tariffs slashed, foreign debt repayments resumed, and legal foundations for private investment restored. Foreign investment more than doubled, from about US\$4 billion in 1993 to over US\$9 billion in 1998. Peru led efforts to reconstitute the Andean Pact as the Andean Group on terms much more favorable to private sector activity. Finally, the international financial community became a major source of government development programs once again. Although foreign debt increased to over US\$30 billion by 1998, with scheduled repayments running at about half of export earnings, most specialists continued to see Peru as a good credit risk.

Perhaps Peru's most significant foreign policy success in recent decades was the negotiation with Ecuador of a definitive border settlement in 1998. The Peru-Ecuador boundary dispute had been Latin America's longest-standing such conflict and had provoked almost two dozen armed clashes between the countries even after the issue was supposedly resolved by treaty (the Rio Protocol) in 1942. The most violent was the major confrontation between January and March 1995, which cost the two countries over US\$1 billion and resulted in hundreds of casualties.

The role of US public and private participation in Peru has always been quite complex. Private investment grew rapidly in the early twentieth century but was almost exclusively in isolated enclaves on the north coast (oil and sugar, then later cotton and fish meal) and in the sierra (copper, other minerals, and later iron). Successive governments encouraged such investment. Even during the military docenio, in spite of some expropriations and a conscious attempt to diversify sources of foreign investment, substantial new US investment took place, particularly in copper

(Southern Peru Copper Company) and oil exploration and production (Occidental Petroleum Company).

The Belaúnde government's policy toward private investment was more open but only partly successful owing to international and domestic economic problems. The García administration's nationalistic posture in a context of growing economic and political difficulties discouraged most new investment, both domestic and foreign, between 1985 and 1990. Fujimori's shift to privatization and economic liberalization began slowly, given Peru's grave problems, but gathered momentum beginning in 1993 with several hundred million dollars in portfolio and direct investments. Between 1993 and 1998, more than one hundred public enterprises were privatized and over US\$6 billion in new foreign investment generated. Spanish investment was the largest, with US\$2.4 billion of the US\$9.8 billion total as of 1998; US investment was second, with US\$1.6 billion; and the British were third, with US\$1.2 billion. Policies favorable to foreign investment continued during both the Toledo and the García governments, with the 2007 free trade agreement with the United States offering added incentives, even though among some sectors of the public there is growing concern over the negative environmental effects of some investments, especially those in mining.

The US role in counterdrug programs in Peru since the mid-1990s has been controversial. Funds for eradication and alternative development have had an impact on cocaine production, but interdiction of planes that appeared to be transporting drugs was suspended after a US missionary's plane was mistakenly shot down in 1999. During the latter years of the increasingly undemocratic Fujimori administration, US policy favored counterdrug activity over pressure to maintain democratic practice. With both the Toledo and the García governments, continuing counter-narcotics activity contributed to significant increases in organized resistance by coca growers as well as new activity by a somewhat revitalized Shining Path, posing additional challenges for Peruvian authorities. There are indications that Humala's policies toward narcotics will not depart from those of previous governments.

CONCLUSIONS

As an independent nation, Peru has had great difficulty in overcoming its authoritarian legacy. For about three-fourths of its history nondemocratic governments have ruled the country. The legacy of Spanish colonial rule was an important factor impeding the evolution of liberal-democratic institutions in the nineteenth century, but additional considerations—including international market forces, the incorporation of more and more of the population into the national political and economic system, and political leadership perceptions and actions—prevented the emergence of a stable institutional structure in the twentieth century.

The reformist military governments of 1968 to 1980 tried but failed to construct a new participatory model of community-based politics and a new economic model based on a leading role for the state. Their failure had its origin in their inability to appreciate the boundaries within which reformers must operate in order to accomplish development objectives. In particular, they did not grasp the degree to which political leaders in a country such as Peru are hemmed in by forces largely beyond

their control. Then, although full electoral democracy established in 1980 began with great enthusiasm and promise, it soon fell prey to some of the same problems that had undermined its authoritarian predecessors. It also had to cope with Latin America's most radical and violent guerrilla organization, Shining Path, and it handled that challenge poorly as well. Once again, a combination of circumstances and political leadership predispositions led to the dismantling of democracy in 1992 with Fujimori's autogolpe.

President Fujimori succeeded where his civilian predecessors had failed by pursuing a new strategy to deal with Shining Path and by implementing a new economic liberalization model that ended hyperinflation and restored economic growth. These successes gave him the popular support necessary to set up a new political system under the constitution of 1993. This system contained democratic forms and procedures, but it also included numerous mechanisms that gave untoward control to the head of state. Although many new government agencies and programs worked to benefit the less privileged at the periphery, the quality of democracy and democratic discourse in the center was progressively eroded. Most of the media were cowed, and opponents were often harassed and intimidated. Peru became a prime example in Latin America of a government that manipulates democratic procedures so as to ensure its own continuance in power. The result was democratic in form but authoritarian in substance—Peru's latest manifestation of its long authoritarian tradition.

Three presidencies have elapsed since the fall of Fujimori. Competitive democracy has returned with force, and the economy has been growing impressively. Sociodemographic changes and economic growth are transforming the nation in significant ways. Today, most Peruvians are healthier and live longer, reside in urban centers, enjoy smaller families, and are highly interconnected. But the process of modernization is uneven and has left unresolved long-standing issues of economic development and inequality. Peru is confronting, painfully and slowly, the legacy of an authoritarian past, an economic model that relies too heavily on the exports of primary products, and a state that frequently ignores the plight of the indigenous population. At the same time, the country is trying to chart a future of democracy and development in the midst of pent-up demands and unmet needs. Peru's democracy could become stronger and more inclusive, or it could succumb once again to the enormous size of the task. Although democratic practice under Toledo was chaotic and problematic, even in the midst of sustained economic growth, the second García administration surprised many by stabilizing the democratic process in spite of some continuing issues that have not been handled well. The trajectory of Humala so far indicates that he is reluctant to take his country down the path of authoritarian populism, to the surprise of many of his early detractors. He is polling well and seems to have escaped the curse of low approval rates that plagued his two predecessors. Though still incomplete, democracy in Peru seems finally to be replacing the country's authoritarian past.

Suggestions for Further Reading

Burt, Jo Marie. *Political Violence and the Authoritarian State in Peru: Silencing Civil Society*. Basingstoke: Palgrave Macmillan, 2008.

10: Peru in the Twenty-First Century: Confronting the Past, Charting the Future 205

- Carrión, Julio, ed. *The Fujimori Legacy: The Rise of Electoral Authoritarianism in Peru*. University Park: Pennsylvania State University Press, 2006.
- Dietz, Henry A. *Urban Poverty, Political Participation, and the State: Lima 1970–1990*. Pittsburgh, PA: University of Pittsburgh Press, 1998.
- Fumerton, Mario. *From Victims to Heroes: Peasant Counter-Rebellion and Civil War in Ayacucho, Peru, 1980–2000*. Amsterdam: Thela, 2002.
- Levitt, Barry. *Power in the Balance: Presidents, Parties, and Legislators in Peru and Beyond*. South Bend, IN: University of Notre Dame Press, 2012.
- Mares, David, and David Scott Palmer. *Power, Institutions, and Leadership in War and Peace: Lessons from Peru and Ecuador, 1995–1998*. Austin: University of Texas Press, 2012.
- McClintock, Cynthia, and Fabian Vallas. *The United States and Peru: Cooperation—at a Cost*. New York: Routledge, 2003.
- Palmer, David Scott, ed. *Shining Path of Peru*. 2nd ed. New York: St. Martin's Press, 1994.
- Quiroz, Alfonso W. *Corrupt Circles: A History of Unbound Graft in Peru*. Baltimore: Johns Hopkins University Press, 2008.
- Stern, Steve J., ed. *Shining and Other Paths: War and Society in Peru, 1980–1995*. Durham, NC: Duke University Press, 1998.