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FEATURED Q&A

How Well Has Humala Served Peru in His First Year?

Q An Ipsos-Apoyo poll released June 17 found that Peruvian President Ollanta Humala's approval rating fell to 45 percent in June, the lowest level of his presidency and a drop of 11 points in two months. His popularity has waned as social conflicts continue to threaten investments in the country's mining sector and the global economic crisis takes a toll on the country's exports and manufacturing sector, Dow Jones reported. What has Humala done right and wrong in the first year of his presidency? How does he compare to previous Peruvian presidents, who had lower approval ratings despite strong economic growth? Is the administration likely to cede to protester demands and weaken pro-market policies, as some investors fear?

A Miguel Palomino, manager of the Instituto Peruano de Economía in Lima: "President Humala's first year in government has surprised both his original supporters and his erstwhile opponents. A significant shift has occurred—and is still in process—from his early populist and left-wing rhetoric to his generally more pragmatic and pro-investment policies. The change seems to originate not just from the realities of being in power, but from Humala's pragmatism. Although he appears to carry ideological baggage on most matters, he has been prepared to listen to alternative views and to accept them more readily than any ideologue. The fact is that monetary policy has remained disciplined and independent and that fiscal policy has been responsible in the overall economic context. Free-trade agreements have continued to be sought and signed and the general policy guidelines continue to support private-sector investment as the major component of economic development. Social inclusion has become a visible part of the policy agenda, with the aim of broadening public support for policies that

Continued on page 2

Brazilian Finance Minister Confident for Year's Second Half

Government efforts to spur Brazil's economy, including low interest rates and tax incentives for industry, should begin paying off in this year's second half, Finance Minister Guido Mantega told business leaders Wednesday in São Paulo. See story on page 2.

File Photo: Brazilian Government.

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NEWS BRIEFS

Three Killed in Clashes Over Peru's Conga Gold Mine Project

Clashes between protesters and police in northern Peru over the Conga gold mine project have left three people dead, BBC News reported Wednesday. Hundreds of demonstrators attacked government buildings in the village of Celendín, leading local officials to declare a state of emergency. The Conga project, which U.S.-based **Newmont Mining** owns, will harm water supplies in the area, protesters have argued. The company says it has worked with local leaders on its plans, which it says meet stringent environmental standards.

Paraguay Accuses Venezuela of Interfering, Recalls Ambassador

Paraguay on Wednesday recalled its ambassador to Venezuela amid accusations that the government of President Hugo Chávez interfered with last month's ouster of Paraguayan President Fernando Lugo, Reuters reported. New Paraguayan Defense Minister María Liz García said she had evidence that Venezuelan Foreign Minister Nicolás Maduro pressed Paraguayan military officials to intervene in Lugo's ouster. Maduro has denied the accusations. After Lugo's ouster, Chávez protested by stopping oil shipments to Paraguay and recalling his ambassador to Asunción.

Cuba Confirms Cholera Outbreak

Cuba's government has confirmed that three people have died and 53 more have been diagnosed with cholera, the BBC reported. According to the health ministry, it is the first outbreak since shortly after the revolution in 1959 and officials blamed high temperatures and heavy rains. The outbreak has been centered on the town of Manzanillo.

Political News

Mexican Electoral Officials Recounting Sunday's Vote

Electoral officials in Mexico announced Wednesday that they are recounting more than half of the ballot boxes from Sunday's presidential vote after discovering inconsistencies, the Associated Press reported. Edmundo Jacobo, executive secretary of the country's Federal Electoral Institute, said officials will open 78,012 of the 143,000 ballot boxes. The results of the recount as well as the final vote tally will be ready on Sunday, said officials. Electoral authorities also will recount 61 percent of the ballot boxes used in the Senate elections and 60 percent of the boxes used for the Chamber of Deputies races. With 99 percent of ballots counted in the presidential race, Enrique Peña Nieto of the Institutional Revolutionary Party, or PRI, leads with 38 percent of the vote. Andrés Manuel López Obrador of the Democratic Revolution Party has 32 percent. Peña Nieto declared victory on Sunday night and said Wednesday that he was confident about the recount. "I trust that the final tally will be consistent with the preliminary count," he said, the AP reported. However, López Obrador has refused to concede, saying vote-buying, overspending and preferential treatment of Peña Nieto by the television industry marred the election. López Obrador called for the recount, saying his campaign had found irregularities at 113,855 polling places. Allegations of vote-buying by the PRI were fueled as thousands of people mobbed grocery stores after the election to use prepaid gift cards they said the party had given them before the vote. Several people who received gift cards said they were told to submit a copy of their voter identification card in order to receive the prepaid cards, the AP reported. Mexican law allows political parties to give gifts to voters unless the gifts are intended to influence votes. Parties must report the cost of the gifts, which must adhere to campaign spending limits. The PRI and the Soriana supermarket chain, where customers nearly stripped bare some shelves in the poor Iztapalpa district of Mexico City, denied any irregularities. Eduardo Sánchez, a spokesman for the PRI, told the AP that neither Peña Nieto's campaign not the party's executive committee bought any services from Soriana. When asked if local party officials or candidates had bought gift cards from Soriana, Sánchez said he didn't know.

López Obrador

File Photo: López Obrador campaign.

Featured Q&A

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have in fact been tremendously inclusive, but were previously not adequately 'sold' to the public. The two main questions now are whether the government will be able to implement the policies that it is pursuing, but to which there is significant—and often violent—opposition; and whether it will be able to hold back the many attempts by its less pragmatic members in Congress and in the executive branch to push forward a populist agenda that may gradually whittle away at the overall pro-market policy framework that has been so effective at promoting socially inclusive economic growth over the past decade."

A Cynthia McClintock, professor of political science and international affairs at George Washington University: "After the first year in office, neither of President Ollanta Humala's two immediate predecessors enjoyed an approval rating above 35 percent. Approval of Alejandro Toledo (2001-2006) was weakened by a paternity suit; economic growth was only beginning. Approval of Alan García (2006-2011) was hurt by his seeming amnesia about his campaign promises. By contrast, Humala has kept important promises. The minimum wage was increased; Peru's conditional

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Economic News

Brazilian Finance Minister Expresses Optimism for Year's Second Half

Government stimulus measures and lower interest rates should pay off and boost Brazil's economy in this year's second half, Finance Minister Guido Mantega told business leaders Wednesday in São Paulo, Reuters reported. The government's efforts to spur the economy, including tax incentives for industry and state purchases of Brazilian goods, should help economic growth that has recently stalled, Mantega said. "The second semester has to be better than the first," said Mantega. Latin America's largest economy experienced growth of more than 4 percent annually in the past decade, but economic woes in Europe and elsewhere have crimped demand for Brazilian commodities and have hurt Brazilian businesses' investments. Efforts by the administration of President Dilma Rousseff to target the country's manufacturing industry with stimulus measures "are building a more competitive country," Mantega said. So far, however, the measures have borne little fruit among manufacturers. Brazil's level of industrial production declined 0.9 percent in May as compared to April, the third consecutive monthly contraction.

> "The second semester has to be better than the first."
>
> — *Guido Mantega*

Company News

Brazilian Regulator Clears Casino's Control of Pão de Açúcar

The board of Brazil's antitrust regulator, Cade, on Wednesday gave unanimous approval for France's **Casino** to take control of the South American country's largest retailer, **Pão de Açúcar**, Reuters reported. Casino's CEO, Jean-Charles Naouri in June took control of Pão de Açúcar's holding company and appointed most of the members of the company's board. In addition, Cade also approved Wednesday a deal between state-owned oil company **Petrobras** and mining giant **Vale** to mine potash in Sergipe state. The government has sought to boost production of potash to reduce imports of the fertilizer.

The Dialogue Continues

Are Market Forces Eroding Latin America's 'Food Sovereignty'?

Q Last month's OAS General Assembly meeting in Bolivia had food security as a main focus. Countries debated the inclusion of the term "food sovereignty," referring to the rights of peoples to largely define their own agricultural systems rather than relying on market forces. What issues does the region face in terms of food security, and how did the OAS debate exemplify those issues? How does increasing Chinese demand for food play into the picture? What positive steps have countries in the region taken and what needs more work in terms of ensuring a stable, sustainable food supply? How could the private sector help provide new solutions?

A Víctor M. Villalobos, director general of the Inter-American Institute for Cooperation on Agriculture (IICA): "A number of factors pose a threat to food security: price volatility and the instability of food supplies; the droughts and floods caused by climate variability; the shrinking amount of arable land available and the growing scarcity of water; and, of course, poverty. On the other hand, there are both food-exporting countries and countries that are net food importers in the Americas. This affects the debate because the position adopted by individual countries depends on how vulnerable they feel they are to the externalities that impact their food security. This accounts for the large number of footnotes to the Declaration of Cochabamba. We have to bear in mind that China's population will demand an increasing amount of food, and it has the means to pay for it. This has direct implications for world trade in food and food prices. Some countries in Latin America are net importers, but they may not be able to pay for food imports if prices are too high. That OAS member countries are willing to discuss the issue and make commitments is excellent news, as is the fact that they are aware of the role that agriculture should play in resolving the problem. The recognition of access to food as a human right is a big step forward because governments are now obliged to do two things: implement public policies to enable their peoples to exercise that right; and undertake multilateral efforts because no single country is in a position to guarantee the food security of its entire population. We need more concrete actions, such as the adoption of innovative agricultural production techniques, investment in agriculture, a commitment to efficient but fair trade and specific programs to alleviate poverty. In short, we need to focus on investment, innovation, production, and inclusion. The private sector has a vital role to play with regard to three issues: support for national innovation systems, to enable them to increase production and produce in a sustainable way; the operation of food markets; and, in particular, investment that promotes innovation and well-paid jobs."

Editor's note: The above is a continuation of a Q&A published in the June 28 issue of the Advisor.

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Featured Q&A

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cash transfer program was expanded; and pension, day care and student fellowship programs were initiated. As promised, these programs are to be funded by a new windfall profits tax. But, in the view of much of Humala's political base in Peru's highlands, the president broke his key promise: to prioritize the environment over extractive industry. Last December,

> "Although Humala's policy shifts have been numerous, they have all been from left to right."
>
> *— Cynthia McClintock*

Humala was faced with an indefinite strike in Cajamarca against the $4.8 billion Conga mining project and in May with an indefinite strike in the Espinar province of Cusco against the Tintaya copper mine. In both cases, the perception of Humala's base is that the president opted not to dialogue, but rather to repress. Humala dispatched security forces and labeled strike leaders politically-motivated extremists; the mayor of Espinar was arrested. Peruvians' hopes that Humala would ameliorate crime, drug-trafficking and terrorism have also dimmed. New citizen-security initiatives have not materialized. In April, Camisea gas workers were kidnapped in the Valle del Río Apurímac y Ene (VRAE) by the Shining Path. The security forces' response was woeful. Currently, the Shining Path's only area of significant operations is the VRAE, which not coincidentally is Peru's largest coca-producing area. A new state presence is planned for the VRAE—but may not be achieved without human cost. Although Humala's policy shifts have been numerous, they have all been from left to right. As a former soldier, Humala seems unlikely to turn back."

Julio Carrión, director of Area Studies at the University of Delaware: "Humala's current public support is not unlike recent incumbents around similar points in their presidencies. The socio-demographic foundation of his support, however, is changing in a surprising fashion. Alan García enjoyed a 42 percent approval rating in June 2007, while Toledo barely broke the 20 percent mark in June 2002. Moreover, when one compares it with García's approval rating, Humala's is more uniformly distributed across the nation. Eleven months after taking office, García's support in Lima was 20 percent points higher than in the rest of the country. Today, Humala's support in Lima is only four percentage points higher than in the provinces. His popularity may have declined overall, but Humala's approval in the interior of the country is still above 40 percent, and close to 50 percent in the nation's capital. There is an interesting new phenomenon: while Humala's popularity is waning among the voters that elevated him to the presidency, his approval has increased dramatically among those who fiercely opposed his presidential bid. Indeed, Humala's support is highest among the most affluent, those who are classified by pollsters as 'Sector A,' where almost six out of 10 approve of his job as president. On the other hand, his lowest approval is registered among the poor, where it hovers around 40 percent. Humala will probably reshuffle his cabinet in late July, and while he will acknowledge the growing demands for better environmental protections and greater community involvement in mining projects, he will likely retain the economic policies that have fueled Peru's impressive economic years of the last decade."

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

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