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## Peru's García Fosters Consensus

Carlos Macias  
October 17, 2008

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President Alan García and the new Prime Minister Yehude Simon. (AP Images)

Peruvian President Alan García governs at a time of dramatic highs and lows. According to the latest figures, Peru's economy **grew 8.9 percent in August** capping off 86 consecutive months of economic expansion. On the other hand, news of a corruption scandal recently rocked his administration when leaked audio recordings provided evidence that high-level officials had solicited bribes from a Norwegian oil company in exchange for

concessions. On October 10, García's **entire cabinet resigned** and the Peruvian Congress ordered an investigation into oil concessions that took place since García took office in 2006. In the wake of the corruption scandal, the president's popularity level **reached a low** of 19 percent.

Still, García has been credited for reacting swiftly to overcome concerns about his administration. He **reappointed** the defense, finance, justice, trade, and education ministers. Moreover, he **chose Yehude Simon**, the popular left-leaning regional governor of Lambayeque, to serve as Peru's new prime minister. The *Financial Times* described the **selection of Simon as an opportunity** to " help García's administration communicate with Peru's disenchanted leftwing parties and unions." An editorial in *El Comercio* lauds García's fast intervention and also commends the new prime minister for his **ability to build consensus**, a skill that could help the García's administration get a boost in approval ratings.

Despite strong economic indicators in recent years, the president **faces slumping support** as opponents charge the country's new wealth has not closed its social inequality gap. Roughly 39 percent of Peru's population lives in poverty. The *Economist* points out that the **lack of confidence** in the president and his political party, the Alianza Popular Revolucionaria Americana (APRA), brings back "memories of his disastrous first stint in power in the 1980s," when García governed from 1985 to 1990. But the purging of the president's cabinet could be seen as a new commitment to stamping out corruption. In one of his first acts since taking office, Simon—a political prisoner during the Fujimori regime and known for transparency—**proposed an anti-corruption plan** that García will likely approve.

In an article for RGE's Latin America EconoMonitor, Walter Molano **defines** Peru as "one of the most resilient economies in Latin America, and the star of the emerging markets class." He highlights the fact that the commodities boom allowed Peru's Central Bank to accumulate hefty international reserves, lower its foreign debt tab, and create leeway to mitigate the effects of the world's financial slowdown. Peru plans to issue a \$600 million international bond sale at a time when credit markets are frozen and wary investors have been withdrawing from emerging markets. The newly reappointed Finance Minister Luis Valdivieso commented on the decision by saying, "those of us who are **confident** in our economic performance don't have to see multilateral or emergency financing as the only option."

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At the same time that Peru's government faced a cabinet shuffle, a [terrorist threat](#) reemerged. An October 10 [attack on an army convoy](#) by members of the Shining Path claimed the lives of 19 people. Days later, an ambush in the coca-growing region of Vizcatan resulted in two more deaths in [another attack](#) linked to the Maoist group. The movement, once 10,000 strong, has remained largely dormant since authorities captured leader Abimael Guzman in 1992. Some posit that drug money has fueled the group's resurgence but that the group only commands 600 rebels.

Read an [article](#) by COA's Eric Farnsworth about how Peru, with García at the helm, has emerged as both an important regional player and plays a growing role in Asia-Pacific economic relations, demonstrated by the fact that it plays host to the APEC leaders summit in November.

*Send questions and comments for the editor to:*  
[ascoa.online@as-coa.org](mailto:ascoa.online@as-coa.org).

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