



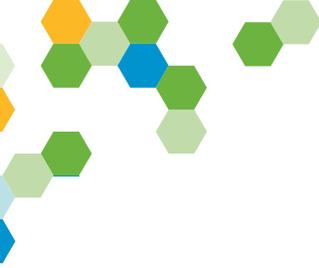
SPECIAL REPORT

Peru Elections 2016: A political crossroad that threatens economic growth

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1. INTRODUCTION
 2. FRAUDULENT PROCESS?
 3. ELECTIONS 2016:
NATIONAL OVERVIEW
 4. THE INCOMING CONGRESS
 5. WHAT WILL THE SECOND
ROUND HOLD?

AUTHOR

1. INTRODUCTION

It is clear that the recent presidential elections in Peru have developed in the most atypical scenario, not necessarily because of the tense political confrontation, but because of the organizational disorder triggered by the role of the National Elections Jury (JNE), the electoral body that supervises the compliance of laws during the electoral process.

The latest data provided by the National Office of Electoral Processes (ONPE), with 91.5 % of national votes counted, show the following results:

- Fuerza Popular (Popular Force), Keiko Fujimori, heads the list with 39.73 %
- Peruanos por el Kambio (Peruvians for Change), Pedro Pablo Kuczynski (PPK), reached 21.04 %
- Frente Amplio (Broad Front), Veronika Mendoza, obtained 18.79 %
- Acción Popular (Popular Action), Alfredo Barnechea, reached 6.96 %
- Alianza Popular (Popular Alliance), Alan Garcia, obtained 5.85 %
- Democracia Directa (Direct Democracy), Gregorio Santos, with 4.09 %

These numbers confirm the trend that was already present in the quick count conducted by major pollsters such as Ipsos Peru and GFK, confirming that a second round between Keiko Fujimori and PPK will take place in June. The latter, a former prime minister and finance minister of president Alejandro Toledo (2001-2006), is a liberal candidate to the right of the political spectrum, who managed to achieve second place after defeating the candidate of the left, Veronika Mendoza, with whom he disputed every vote until the very last minute.

“A few days before the election, the JNE decided not to apply Article 2 of the new law and leave the electoral hurdle at 5 %”

2. FRAUDULENT PROCESS?

If there was something that defined the recent election, it was the role played by the JNE, along with the implementation of the new Political Parties Act (Law No. 30414¹) that was approved by Congress last year and that, contrary to all logic, forcefully went into effect in the middle of the current electoral process. On the performance of the JNE and the ambivalent implementation of the new standard we can identify three key moments.

The first was the exclusion of Partido Todos Por el Perú (Everyone for Peru), led by Julio Guzmán, for making an incongruent procedure regarding its internal rules, which presumably affected the internal democratic basis of the party. Guzman's party argued that the failure was administrative in nature, and that the constitutional right to representation prevails. However, the JNE declared the appeal ill-founded, leaving the party out of the process even though it positioned itself as the second political force after Fujimori.

The second key fact was the application of article 42 of the new political parties act, which prohibits the exchange of money, gifts and bribes, among others, either directly or through a third party. This marked the end of Cesar

Acuña's candidacy, former regional governor of La Libertad and leader of Alianza para el Progreso (Alliance for Progress), and Vladimiro Huaroc's, Keiko Fujimori's vice presidential candidate, for donating money and goods in the middle of a proselytizing act. However, the biggest controversy emerged after images of candidate Keiko Fujimori leaked, showing her handing money over at an event organized by a group of citizens affiliated to her party. In this case, the JNE ruled in Fujimori's favor, a decision that was highly questioned by public opinion, arguing that the application of the norm was disproportionate in regards to Acuña's case.

Finally, a few days before the election, the JNE decided not to apply Article 2 of the new law and leave the electoral hurdle at 5 %, or the minimum amount of votes that a party must achieve to be represented in congress, despite the new rule that specifies that groups that form an alliance must exceed 7.5 %. This last disposition of the jury was widely questioned, given that it directly benefited the alliance between Partido Aprista Peruano (Peruvian Aprista Party) and Partido Popular Cristiano (Christian People's Party), two traditional parties that would have been left out of parliament and without the possibility of getting registered in the future had the new law been implemented.²

¹ El Peruano (2016). Ley N°30414. Ley que modifica la Ley 28094. [online]

² larepublica.pe. (2016). JNE fija la valla electoral para partidos políticos y alianzas en 5 %.

Ambivalence and delays in the publication of the resolution to the mistakes made by the JNE, along with irregular failures, created an atmosphere of distrust, to the extent that some analysts referred to the electoral process as fraudulent. Nevertheless, voters ultimately opted to reconsider their political options, giving way to the emergence and consolidation of other groups.

3. ELECTIONS 2016: NATIONAL OVERVIEW

While awaiting the official final figures, but having a quick count of the pollsters, the results of the recent elections show the consolidation of Fujimorism as the political option with the greatest calling. Fuerza Popular (Popular Force) has obtained the majority of the votes in 15 out

of Peru's 25 regions, including Lima. The geographical layout shows an almost full presence in the North and center of Peru, and especially in the Peruvian jungle, an important stronghold for Fujimorism. This would prove that Keiko Fujimori, who immediately began campaigning after losing the elections in 2011 against Ollanta Humala, has managed to position and build a party of national pull.

Meanwhile, PPK, despite having finished second in the national election, only managed a majority in Arequipa. This reflects the limited identification with the 77-year-old candidate among the most popular sectors of society, who see him as an option with a more urban profile, "very limeño."

On the other hand, this has been almost a victory for the left, represented by Veronika Mendoza's Frente Amplio (Broad Front), despite having lost the pass to the second round. The group, a coalition of various small left-wing parties, won in 7 regions, most importantly those located in the south along with the poorest, including Huancavelica, Apurimac and Ayacucho. These regions, together with Arequipa, catapulted Ollanta Humala to the second round in 2011 and have ratified their preference for a leftist speech. Besides, Mendoza was second in the majority of the rest of the regions, except for Lima and the northern coast, with a greater population density that favored PPK.

Figure 1. Winners by region



Source: Ipsos Perú

“If we observe the composition of the parliament, we see that 4 out of the 6 powers could be placed under the center/right spectrum”

An exceptional case is that of Gregorio Santos and his party Democracia Directa (Direct Democracy), who, despite being in preventive prison for alleged cases of corruption, which did not allow him to campaign like the rest of the candidates, ratified his position as the anti-mining regional leader in Cajamarca, where he was governor. Paradoxically, Cajamarca is one of the regions with most mining potential in Peru.

4. THE INCOMING CONGRESS

The first quick count results presented by IPSOS³ indicate that the composition of Congress would be as follows:

- Fuerza Popular (Popular Force): 68
- Peruano por el Cambio (Peruvians for Change): 20
- Frente Amplio (Broad Front): 20
- Alianza para el Progreso (Alliance for Progress): 12
- Alianza Popular (Popular Alliance) (APRA-PPC): 5
- Acción Popular (Popular Action): 5

This configuration would give Fujimorism an absolute majority in parliament and full freedom to perform functions such as: approve laws, overcome the presidential veto to the

observed laws, control key commissions and even appoint the President of Congress with the support of her party. Furthermore, they would have a decisive vote in the censorship of ministers and the election of members of the Constitutional Court and the Ombudsman.

If we carefully observe the composition of the parliament, we see that 4 out of the 6 powers could be placed under the center/right spectrum willing to maintain the current economic model, legal framework and the respect for the Constitution, as well as having an economic market vision. That would guarantee, both for Fujimori and PPK, the possibility of undertaking the revival of economic reforms both have suggested.

On the other hand, the parties Frente Amplio (Broad Front) and Acción Popular (Popular Action) have been critic of the current economic situation. However, they would only represent 25 seats out of 130, so their legislative possibilities are much more limited and will have to find consensus or be in constant public disagreement in order to counterweigh in favor of their proposals.

As for possible alliances, if Keiko Fujimori has the absolute majority, she won't need any political agreements in order to undertake the initiatives proposed

³ El Comercio. (2016). Composición del congreso [online]

“Keiko Fujimori has the advantage of some of the success stories attributed to her father’s government”

in her plan of government. She could even achieve the natural adhesion of APRA, her ally during the government of Alan Garcia in 2011.

In the case of PPK, the scenario is different. Although his plan of government would count with the approval of the majority of the center-right seats, he would need alliances in order to legislate in terms of security and economy, two strong points in his government plan. Given that the left and Popular Action would most likely be in the opposition, PPK would have to look for alliances. The most natural one would be with Alliance for Progress (12), former ally in the 2011 elections. He would also be able to add on the APRA-PPC (5), thus obtaining 37 parliamentary seats. In that case, Fujimori would have a leading role and would be the hinge or the candidate that could stop many of PPK’s initiatives.

5. WHAT WILL THE SECOND ROUND HOLD?

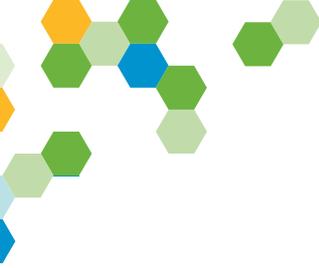
The latest Ipsos poll, done on April 3, shows that in an eventual second round between Keiko Fujimori and PPK, he would win with 43 % of the votes facing a 41 % for the candidate of Popular Force.⁴ However, the last three electoral processes have proved that the second round is a completely different race in which previous

predictions do not count. Both PPK and Fujimori being more to the right (one liberal and the other populist) would have to shift toward the center in order to gain the votes of those who supported Veronika Mendoza and Alfredo Barnechea, who constitute an approximate 25 % of the electorate.

At first it would seem that, both in the case of Mendoza and Barnechea, the anti-Fujimorism that characterizes their electorate would automatically tip the balance in favor of PPK. However, as noted above, Mendoza has a strong hold in the center and the poorest regions of the country, so it would not be surprising that these voters migrate in favor of Fujimori, as it happened in the regions where Humala dominated in 2011 and where Keiko is now leading. In Peru, the Lima versus the regional axis plays an important role and is still predominant, so the figure of the technocrat close to the Lima circles could play against PPK.

Keiko Fujimori has the advantage of some of the success stories attributed to her father’s government, Alberto Fujimori, such as the victory against terrorism and the economic recovery of a then broken country. An important popular base sustained by clientele programs that are still remembered by many Peruvians could serve as the winning card for the Popular Force candidate.

⁴ larepublica.pe. (2016). PPK le ganaría a Keiko Fujimori en segunda vuelta, según Ipsos. [online]



“The fight would be a polarized scenario in which Fujimorism will face anti-Fujimorism”

In any case, as predicted by many political analysts, the fight would be a polarized scenario in which Fujimorism will face anti-Fujimorism. In recent months, anti-Fujimorism has grown exponentially, reinforced by parades and demonstrations against candidate Keiko Fujimori. PPK would be the leader of this movement if he hadn't openly supported Keiko Fujimori in the second round of the 2011 election against the then feared candidate Ollanta Humala. On the other hand, so far no candidate has been able to reverse a difference of more than 20 points in the first round.

PPK's emphasis should be in highlighting the differences between him and Fujimori – the economic drive and the democratic management of the institution– and maybe capitalizing on his anti-Fujimorism through some of the figures who support him, such as Congressmen Carlos Bruce and Juan Sheput, former collaborators of Alejandro Toledo and clear opponents of the Popular Force candidate.

Furthermore, he could benefit from the ability of being able to gravitate more easily towards the center thanks to several members of his party, along with the added bonus of having a greater liberal agenda and defending the minorities –such as same-sex marriage and civil union–, a small well-organized team with the capacity of making their voice heard both in social media and more traditional media.

Meanwhile, Keiko Fujimori must deepen her efforts to find her own personal space, breaking the bond with her imprisoned father, as she has been doing throughout the campaign, while adding some other gestures as a guarantee that the mistakes and crimes committed during Alberto Fujimori's regime will not be repeated. In her favor, the overwhelming support among the poorest sectors of society, both in Lima and in the regions, which could split the vote between the rich and the poor and allow her to identify PPK as the candidate of the elite, as Garcia did with Lourdes Flores in the electoral process of 2006.

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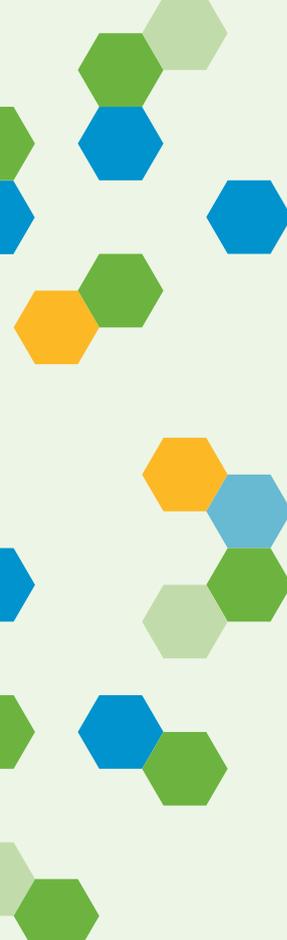
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