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## President Toledo's New Cabinet

*by LADB Staff*

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Peru's President Alejandro Toledo has reorganized his Cabinet in his latest attempt to turn around his dismal approval ratings. The president's lack of support has reached the point of bringing calls for him to step down. Toledo had difficulty making new appointments when several potential appointees refused, an indication of the depth of his problems of governability and support.

Former prime minister Luis Solari de la Fuente announced on June 23 that the Cabinet would resign. In Peru, ministers normally present their resignations at year-end and before the president's July 28 Independence Day address. Although the resignations came about a month ahead of schedule, they had been widely expected.

The president began meeting with opposition politicians to try to put together a coalition government. Besides the Cabinet, he also needed to preserve his party's coalition in Congress with the Frente Independiente Moralizador (FIM). Toledo's party holds only 41 seats in the 120-member Congress.

Toledo's approval rating had dropped to 11% by mid-June. His decision to attend the graduation ceremony at Stanford University, where he studied for a post-graduate degree, did not help, especially when he insisted on using the presidential jet even though the school provided first-class airline tickets for him and his wife. Aviation experts estimated the cost at more than US\$100,000.

As disapproval rose, Toledo was forced to lower his monthly salary from US\$12,000 to US\$8,400. It was the second time Toledo took a pay cut to quell criticism. After his inauguration on July 28, 2001, he set his pay at US\$18,000 a month, the highest of any president in Latin America. Public outrage forced him to cut that to US\$12,000.

The president returned from Stanford on June 16, the same day Finance Minister Javier Silva Ruete presented a new economic program aimed at raising US\$100 million in new income and cutting US\$120 million in spending to pay for the US\$30 a month raise Toledo had promised public-school teachers to end their strike (see NotiSur, 2003-06-06). The government also raised taxes on beer and cigarettes, and extended sales taxes on tickets to sporting and cultural events and bus transportation. But legislators of Toledo's Peru Posible (PP) party refused to approve the tax hikes, which had the unanimous support of the Cabinet.

Peruvians are disgusted with Toledo's extravagant lifestyle and lack of political leadership. In a survey of Lima residents by the Apoyo polling firm this month, people were asked what Toledo could do to improve his credibility and popularity. The top three responses were "tell the truth," "be austere," and "acknowledge mistakes and stop blaming others for them."

Gustavo Gorriti, a key campaign adviser to Toledo but now a critic, said, "There is a high level of anger with Toledo because, coming as he does from a humble, poor background, people expected him to be totally identified with them and to have austere habits."

"One expression of his growing isolation from the person in the street is his 11% approval rating, which shortly will fall to a single digit because of the new taxes being created," said newspaper editor Augusto Alvarez. "It is urgent for the president to take initiatives to reconcile himself with a country that is becoming fed up with him."

Toledo's lack of support comes despite an annual inflation rate of just 1.5%, the lowest in decades, and an economic-growth rate that, for the second straight year, is the best in Latin America. But half the population still live in poverty and the macroeconomic gains have failed to trickle down. Last year's 5.2% economic growth was not enough to put a dent in unemployment. The frustration has led to frequent protests to demand that the government fulfill its promises.

Luis Bambaren, bishop of Chimbote, said he doubted that Cabinet changes would solve the national problems. The bishop called for restructuring the government with a social focus so that the macroeconomic growth would reach the poor sectors of the population.

### *Is a new Cabinet the answer? Toledo's critics say the problem is not the Cabinet but the president.*

"The one who lacks all credibility is Toledo," said Deputy Rafael Rey of Unidad Nacional. "He might get a break for a few months with the changes, but his inability to govern will surge again." Many people wonder whether Toledo will make it to the end of his term. Leaflets circulated recently in Lima urging that the 2006 elections be moved up and Toledo's term cut short. Rey is among those openly backing an early election. "People are completely disillusioned and angry with Toledo," said Rey. "We have to find a solution, and there are people who are proposing different possibilities."

On June 24, Peruvian economist Hernando de Soto of the Instituto Libertad y Democracia (ILD) suggested that Toledo might step down and be replaced by First Vice President Raul Diez Canseco.

"What is important is that, with all those who want to destabilize the democracy in Peru, it be shown that democracy can defend itself and there is an order of succession," said de Soto on a television program. Toledo has trouble finding willing nominees. What was expected to be one- or two-day process of reorganizing the Cabinet took almost a week because several people who were approached refused to come on board.

Local newspapers reported that Toledo had asked Peruvian novelist Mario Vargas Llosa to be prime minister, but the author turned him down. Among others who reportedly said no were Luis Bedoya Reyes of the Partido Popular Cristiano (PPC), Lourdes Flores of the Unidad Nacional, and Alberto Andrade of Somos Peru.

"No one wants to get burned being part of a government with barely 11% acceptance," said Javier Diez Canseco of the opposition Union Parlamentaria Descentralista (UPD).

Because of the crisis in the Cabinet, Toledo had to cancel his trip to Colombia where he was to participate in the presidential summit of the Comunidad Andina de Naciones (CAN), sending Vice President Raul Diez Canseco in his place. The designation of five new ministers and the ratification of 10 others finally ended the crisis, at least temporarily. The new Cabinet was sworn in on June 29. The new prime minister is Beatriz Merino Lucero, former head of the tax agency (Superintendencia Nacional de Internaciona Administracion Tributaria, SUNAT).

Merino, a well-known economist, is the first woman to serve as prime minister. She holds degrees from the Universidad de San Marcos in Lima, Harvard University, and the London School of Economics. Merino has served as director of an Inter-American Development Bank (IDB) program for the advancement of Latin American women. She was a senator from 1990-1992, when then President Alberto Fujimori (1990-2000) disbanded Congress. She later served in Congress from 1995-2000 as a member of the opposition FIM.

"From all of the president's possibilities, it was the best decision he has made," said Manuel Saavedra, the head of the CPI polling firm. "She is a woman who has demonstrated a great deal of honesty, who has shown a capacity and professionalism in her work. This could, to some extent, compensate for this perception that the government lacks credibility."

Former Lima mayor and leader of Somos Peru Alberto Andrade said Merino's appointment could lead to the correction of some of the errors committed by the executive. But Javier Diez Canseco said the country's problems will not be solved by changing the names of the ministers but by changing policies, and, although he respects Merino's ability, he doubts she will make the necessary changes.

The new ministers who will join Merino are:

Education: Carlos Malpica Faustor

Health: Alvaro Vidal Rivadeneyra

Agriculture: Francisco Gonzales Garcia

Women and Social Development: Ana Elena Townsend Diez Canseco

Labor: Jesus Alvarado Hidalgo The ministers who were confirmed in their positions are:

Foreign Relations: Allan Wagner Tizon

Economy and Finance: Javier Silva Ruete

Defense: Aurelio Loret de Mola

Foreign Trade and Tourism: Raul Diez Canseco Terry

Interior: Alberto Sanabria Ortiz

Justice: Fausto Alvarado Dodero

Energy and Mines: Jaime Quijandria Salmon

Housing, Construction, and Drainage: Carlos Bruce Montes de Oca And the two ministers who are changing jobs are:

Production: Javier Reategui Rosello (was Transportation and Communication)

Transportation and Communication: Eduardo Iriarte Jimenez (was Production).

### *Toledo promises to restore Peruvians' faith*

Toledo said three things would characterize his renewed government: "fresh" money to increase public investment, an all-out assault on terrorism, drug trafficking, and public insecurity; and restoring the faith of the Peruvian people. He said he would not allow terrorists to threaten public security or to frighten investors. He also announced an "aggressive relaunching" of social programs to promote jobs, education, electrification, and rural roads, as well as efforts to promote small and microbusinesses.

Toledo offered a rare self-criticism at the swearing-in ceremony of the new Cabinet. He said he had become disconnected from regular Peruvians while focusing on economic matters and said he would take responsibility for "winning back the faith and lost hopes of Peruvians."

The new Council of Ministers began work June 30. Merino said that the circumstances under which she was beginning her new job were especially difficult because of the need to promote economic development "in a country hit by violence brought about by hunger and poverty." Since May 27, Peru had been under a state of emergency imposed after a month of protests by unions and civic groups.

On June 26, the president lifted the state of emergency, except in the three departments of Ayacucho, Junin, and Apurimac, and the La Convencion province in Cuzco, where the government says Sendero Luminoso guerrillas are still active.

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