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PERU

Leftist Humala picks moderates for Peru Cabinet

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By: Reuters
21st July 2011

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LIMA - Leftist Peruvian President-elect Ollanta Humala picked more moderates for his Cabinet on Thursday as he tries to reassure investors he will govern as a centrist in one of the world's fastest-growing economies.

The appointments burnish the pragmatic image Humala sought to project during the campaign, in which he convinced many voters he had shed his radical past and stident opposition to foreign investment, private capital and free trade.

"We are building a government of national unity," Humala said. The former army officer, who takes office July 28, has vowed to do more to quell vexing social conflicts over natural resources that pit big mining and oil firms against poor rural towns left behind by a decade-long economic boom.

Humala, whose core base of support is in remote provinces, says a weak state, which only takes in tax revenues of about 15 percent of gross domestic product, must become more muscular and focus more funding on social programs to lift up the one-third of Peruvians mired in poverty.

He says that would help avert conflicts that often turn violent and marred the tenure of departing President Alan Garcia, who lacked credibility in the Amazon basin and Andes mountains where tribes and peasants are wary of mining, oil and natural gas projects.

Foreign companies have pledged \$50 billion in mining and oil investments for the next decade in Peru, one of the globe's top metals exporters. But companies are increasingly worried about conflicts over pollution, water and the share of local revenues from natural resource projects.

In an interview on local television that aired early on Thursday, Humala said he had named as foreign minister Rafael Roncagliolo, an academic and journalist who has worked on governance and media issues in international forums.

He chose Carlos Herrera, an engineer, to serve a second stint as Peru's mines and energy minister. He held the post briefly after President Alberto Fujimori was ousted in 2000.

Those picks followed an announcement late on Wednesday that Salomon Lerner, a wealthy businessman who ran his campaign, would lead the cabinet as prime minister and orthodox economist Luis Miguel Castilla would be finance minister.

Castilla was deputy finance minister in President Alan Garcia's government and is associated with the country's free-market economic model.

Castilla rounds out Humala's economic team after he said on Sunday he would reappoint conservative central bank chief Julio Velarde, who is praised by Wall Street, to another five-year term.

"We should recognize the good things they have brought us, in terms of macroeconomic stability and a monetary policy that has given tranquility to the country and we are bringing these people with us," Humala said of Velarde and Castilla. "What we are including is a project that is more ambitious than just giving economic growth to the country."

While Humala's picks could please investors, he risks alienating his core supporters and has yet to say how he will persuade the conservatives he picked to head economic policy to increase spending on social programs.

Peru's economy grew 9 percent last year and is forecast to grow around 6 percent this year as domestic demand drives expansion after years of growth led by a commodities boom. However, the government is often hamstrung by a weak tax base and Humala wants to introduce a windfall profits tax on mining and oil companies.

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