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LEFTIST HUMALA LEADS PRESIDENTIAL RACE

- Humala has 7-10 point lead going into April 10 vote
- Tight three-way race for second place
- Polls split on Humala's chances in second round

BY CAROLINE STAUFFER AND
PATRICIA VELEZ
LIMA, APRIL 6

L EFT-WING NATIONALIST Ollanta Humala is set to win the first round of Peru's presidential election on Sunday as

poor voters rally behind him, but he may struggle in a run-off against one of three rivals backed by big business.

Humala, a former army officer who favors greater state intervention in the economy, has moderated his anti-capitalist views since narrowly losing the 2006 race and

holds a lead of 7 to 10 points over three more market-friendly candidates who are tied in an unpredictable contest for second place, polls show.

Vying for a spot in the June 5 run-off in one of the world's fastest-growing economies are former President Alejandro Toledo,

former Prime Minister Pedro Pablo Kuczynski and lawmaker Keiko Fujimori.

They have tried to blunt Humala's chances by saying he would pursue a statist agenda that would roll back reforms and jeopardize some \$40 billion of foreign investment lined up to tap Peru's vast natural resources over the next decade.

Those warnings have sought to scare many Peruvians who are enjoying growing wealth and remain haunted by the destabilizing hyperinflation and guerrilla insurgencies of the 1980s and 1990s.

But Humala has surged in the race by shedding his hardline image and recasting himself as a soft leftist in the mold of Brazil's popular former President Luiz Inacio Lula da Silva.

To lift out of poverty the one third of Peruvians left behind by a decade-long boom, Humala promises "gradual" change instead of a sharp break.

He has taken to wearing ties, carrying rosary beads to show he is a devout Roman Catholic and promising to be fiscally prudent while respecting the independence of the central bank and honoring the country's many free-trade pacts.

Those tactics have persuaded some on Wall Street and in Peru's large mining sector that he has matured and is no longer like his brother and father, two well-known Peruvian radicals.

Roque Benavides, chief executive of Buenaventura, Peru's biggest precious-metals miner, said Humala's proposal to raise taxes on mining companies would hurt competitiveness but said he does not fear him.

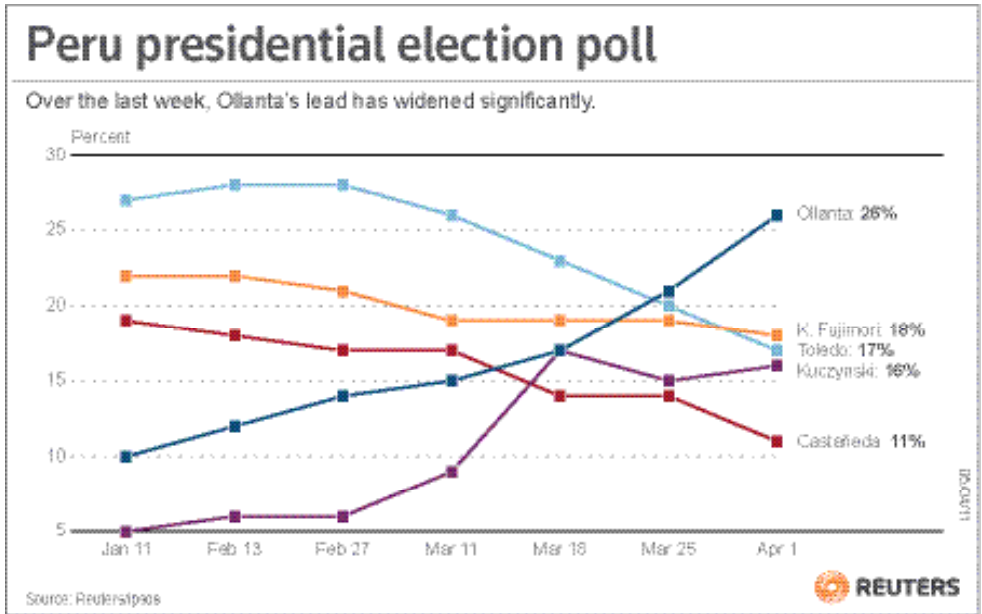
"The next president will have to operate within democratic canons and with the canons of the market economy, so I think the risk is limited," Benavides told Reuters.

NO THREAT TO CREDIT RATING

MOODY'S RATINGS AGENCY has said Peru's investment-grade credit rating would not be threatened by an Humala victory.

Other analysts see him as South America's next Lula, rather than the more strident leftist President Hugo Chavez of Venezuela, from whom Humala has sought to distance himself.

"Humala would be marginally worse than Lula in his second term," said Benito Berber of Nomura Securities. "That means he will generally be a moderate, but if he wins we



should expect a deterioration of Peru's fiscal position."

Still, Peru's sol currency and the country's main stock index have dipped over the last two weeks on worries Humala could raise taxes on miners, increase government subsidies or exert greater control of "strategic" sectors like electricity.

Manuel Saavedra, head of local pollster CPI, said Humala is the clear favorite, even though a quarter of voters are still undecided and he will fall short of winning a majority of votes on Sunday.

"It's almost a fact that Humala will win in the first round. But the run-off is another election entirely and it will be difficult to win again," he said.

Humala got 30 percent of the vote in the first-round in 2006 before losing to President Alan Garcia, who cannot run again, by 5 percentage points.

The run-off this year could be just as tight.

Toledo, 65, the architect of Peru's free-trade pact with the United States, has the best chance of beating Humala because their families are from the Andes and they compete for the ethnic vote in a country with indigenous roots, though Toledo has support from all social classes.

Kuczynski, 72, a former Wall Street banker who is known as "El Gringo" because of his European parents, could have trouble gaining traction outside of Lima, the capital, where he is strongly backed by wealthy voters.

Fujimori, 35, is shunned by many voters because her father, former President Alberto



Peru's presidential candidate Ollanta Humala talks to the media during a conference in Lima, March 28, 2011. REUTERS/ENRIQUE CASTRO-MENDIVIL

Fujimori is now in jail for corruption and human rights crimes stemming from his crackdown on insurgencies in the 1990s.

"The scenario that would cause the highest market volatility is Humala versus Kuczynski followed by Humala versus Fujimori," said Nomura's Berber. "(But) the market would price in a Toledo victory."

(Additional reporting by Marco Aquino and Teresa Cespedes; Writing by Terry Wade; Editing by Anthony Boadle)

THE CANDIDATES AND THEIR PLATFORMS



Supporters of Peru's presidential candidate Ollanta Humala watch a rally from a bus with a banner of Humala's photo in Lima April 1, 2011. **REUTERS/PILAR OLIVARES**

LEFTIST OLLANTA HUMALA leads the polls in Peru's April 10 presidential race and could face former president Alejandro Toledo, lawmaker Keiko Fujimori or former prime minister Pedro Pablo Kuczynski in a June 5 runoff.

All candidates in the tight race say they would lower Peru's high 35 percent poverty rate while maintaining economic growth, but Humala appeals most to poor voters who feel left out of Peru's decade-long economic boom.

Despite Humala's efforts to recast himself as an economic moderate, Peru's currency has weakened and its cost of borrowing money has risen as his lead widens in the polls, just as they did when he nearly won the 2006 election.

Toledo's support is evenly distributed across all social classes and regions and he was well-liked by investors during his 2001-2006 term. Kuczynski, a former investment banker, is favored by many wealthy Peruvians.

Below are profiles and key proposals from each candidate:

OLLANTA HUMALA, FORMER SOLDIER

HUMALA, 48, BURST ONTO the national scene in 2000 when he and his brother led a short-lived military revolt to demand then President Alberto Fujimori quit because of corruption scandals.

He has since tried to distance himself from his radical past and his former political guru, Venezuela's socialist President Hugo Chavez, who endorsed his 2006 presidential bid.

Wearing a suit and tie, Humala made the most moderate speech of his political life on March 28. He pledged to respect central bank independence and Peru's free-trade agreements.

He still talks about vigorously regulating strategic sectors like mining and oil and his opponents point to inconsistencies between his official platform and his tempered public discourse on the stump.

- A revised constitution for a "new economic model" that keeps sectors including water and sanitation in public hands.

- Tax international miners 40 to 45 percent of profits, up from 30 percent currently. Raise oil and gas royalties.

- Keep annual inflation around 2.5 percent



Peru's presidential candidate Alejandro Toledo greets supporters during a rally in the Andean city of Arequipa, April 4, 2011. **REUTERS/PERU POSSIBLE CAMPAIGN PARTY/HANDOUT**

with a stable exchange rate. Fiscal deficit not to exceed 1 percent of GDP. Evaluate a gradual reduction of the national sales tax to 14 percent or 15 percent, down from 18 percent currently.

- Prioritize liquid natural gas from Camisea fields for domestic energy consumption rather than export.
- "Social control" rather than eradication of coca crops in the world's top grower of the leaf used to make cocaine.
- Increase education and healthcare spending.

For full platform see:
www.goo.gl/ElnGt



Peru's presidential candidate Keiko Fujimori talks to Reuters, as part of a Reuters Latin American Investment Summit interview, during a campaign rally in a shanty town in San Juan de Lurigancho, a district on the outskirts of Lima, March 29, 2011. **REUTERS/MARIANA BAZO**

KEIKO FUJIMORI, JAILED FATHER

A POPULAR MEMBER OF Congress, Fujimori has indicated her policies would mostly follow those of her father. A right-wing populist in power from 1990-2000, Alberto Fujimori is now in jail for corruption and human rights abuses.

In a topsy-turvy race, Fujimori, 35, has kept a stable 20 percent of support from Peruvians who say her father's authoritarian measures saved the country from collapse during guerrilla insurgencies in the 1990s.

Poor supporters recall his low-income housing programs and soup kitchens while the business community credits the elder Fujimori with curbing hyperinflation and opening Peru's economy. They prefer Keiko to left-wing populist Humala.

Keiko has promised to respect human rights and stops short of saying she would pardon her father, who is now 72.

- Growth of at least 7 percent per year.
- Promote free enterprise and free trade.
- Cut red tape, simplify tax procedures and reduce the costs of doing business by 20 percent in the next five years.
- Expand comprehensive health insurance.
- Build more prisons, death penalty for severe crimes.

- Enhance access to safe housing with water and basic sanitation. Grant land titles and expand access to mortgages.
- Tax windfall profits of miners.
- Force wildcat miners to stop using toxic mercury.

For complete platform see:
www.goo.gl/kHhZp

ALEJANDRO TOLEDO, EX PRESIDENT

TOLEDO, ONCE A SHOE-SHINE boy from a poor Andean town, led Peru's push into free-trade pacts during his 2001-2006 term and is credited with restoring democratic rule in Peru.

His humble roots and indigenous features endeared him to Peruvians, but many were disenchanted by his frequent partying and excessive personal spending during his first term.

Though he was once the election front-runner, poor voters who want change have abandoned Toledo for Humala while many upper class voters have transferred their support to Kuczynski.

Toledo, 65, is more liberal on social issues than his opponents. Recently, he has fiercely defended economic policies that promote investment and have been in place for the

past decade, calling a Humala government a "leap into emptiness."

- Growth of at least 6 percent per year, and simplified rules and rationalization for tax exemptions.
- New initiatives to reshape the domestic and external public debt offered in 2003.
- Convert Peru into a maritime hub by improving logistics and infrastructure. Double agricultural exports.
- Give land titles to all dwellers in shantytowns.
- Propose civil unions for same-sex couples.
- Possibly tax windfall mining profits.
- Monitor coca cultivation with national satellite system.
- Double teacher salaries in 5 years.
- Give regional governments more discretion and authority.
- Reduce poverty rate to 10 percent from 35 percent, and eliminate extreme poverty.

For complete platform see:

www.goo.gl/oQbqz

PEDRO PABLO KUCZYNSKI, "EL GRINGO"

KUCZYNSKI, 72, IS A FORMER Wall Street executive who served as prime minister under Toledo. A renown technocrat, he also worked at the World Bank and as finance and energy minister.

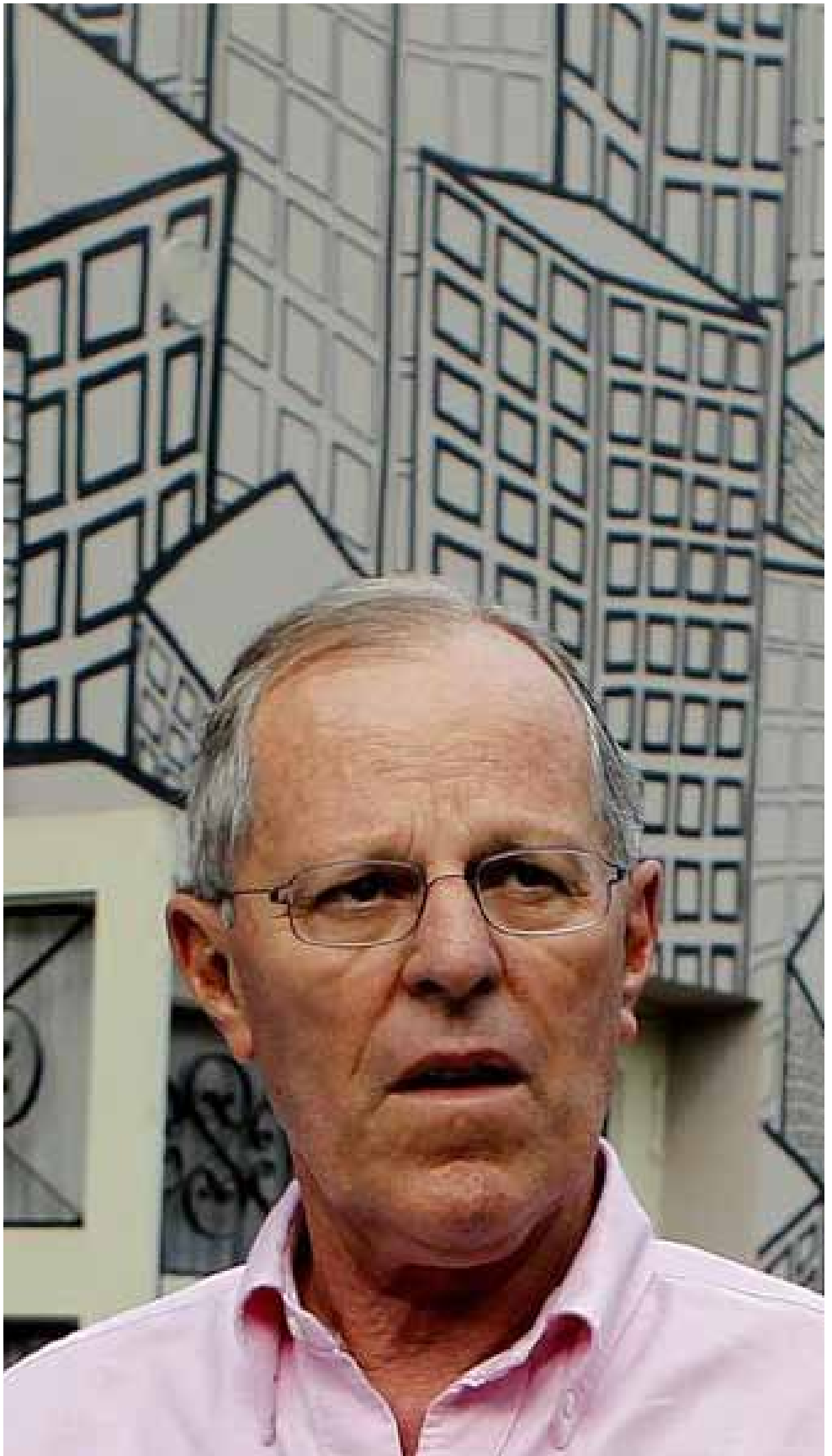
Many Peruvians see him as a lightgskin outsider and call him "El Gringo." Kuczynski, who has degrees from Oxford and Princeton, recently turned in his U.S. passport to the U.S. embassy and says he will give it up entirely if elected.

- Decentralize the finance ministry so regional governments can more quickly approve infrastructure projects.
- Lower national sales tax to 15 percent (now 18 percent).
- Provide all Peruvians with clean drinking water.
- Improve public education and increase education budget.
- Improve security through more police and a strong arm approach to crime and drug trafficking.
- Eliminate extreme poverty in 10 years.

For full platform see:

www.ppk.pe/25gcompromisos

(Reporting by Marco Aquino, Patricia Velez and Caroline Stauffer in Lima;
Editing by Terry Wade)



Peru's presidential candidate Pedro Pablo Kuczynski arrives for a meeting with evangelical church leaders in Lima April 2, 2011. REUTERS/MARIANA BAZO

ANALYSIS

TWO POLARIZING FIGURES MAY MEET IN PERU RUN-OFF

- Humala and Fujimori lead polls
- Toledo seen as unifier for moderates
- Some on Wall Street giving the "new" Humala a chance

BY PATRICIA VELEZ AND
CAROLINE STAUFFER
LIMA, MARCH 30

THE TWO MOST POLARIZING candidates in Peru's presidential race, Ollanta Humala and Keiko Fujimori, could face each other in a run-off vote as a moderate majority splinters among three other candidates.

In a tight five-way race before the first-round vote on April 10, polls show the left-wing nationalist Humala and the right-wing populist Fujimori nudging ahead, with the best chances of reaching the second round on June 5.

Investors fear Humala might unwind years of reforms in one of the world's fastest-growing economies, while Fujimori's critics worry she would show little respect for human rights.

Each has disapproval ratings of around 50 percent, the worst in the race.

Some analysts are urging mainstream voters to rally behind former President Alejandro Toledo, a committed free-trader known as "The Cholo" because of his indigenous roots, and drop support for former Lima Mayor Luis Castaneda and former Prime Minister Pedro Pablo Kuczynski.

"It's a very polarized scenario that would revive old antagonisms in Peru," said Julio Cotler, a sociologist at the Institute of Peruvian Studies. "I wouldn't be surprised if we see a third option emerge in the form of Toledo."

Humala leads the latest polls with about 21 percent support, about a point ahead of

REUTERS INSIDER



Fujimori and two points ahead of Toledo. Castaneda and Kuczynski are close behind.

Pollsters say Toledo has the broadest support base, distributed among all social classes and regions. That suggests he could most effectively bridge Peru's nagging social divides, even though his popularity rating fell to less than 10 percent during his 2001-2006 term for frequent partying and his unwillingness to recognize a daughter born out of wedlock.

Toledo had a 10 point lead in the race a month ago, but fell to third place as wealthy voters abandoned him for Kuczynski, a former Wall Street banker, and as more poor voters switched to Humala, who competes with Toledo for the ethnic Andean vote.

DEMONIZING A MORE MODERATE HUMALA

THOUGH HUMALA HAS SOUGHT to recast himself as a soft-left leader like Brazil's previous president, Luiz Inacio Lula da Silva, many voters regard him as a hard-liner with an authoritarian streak he developed while an army colonel. Humala's father and brother are also known as outspoken radicals.

Meanwhile, Fujimori is reviled by many because her authoritarian father, former President Alberto Fujimori, was convicted and jailed for human rights abuses and corruption. Though she supports market-friendly economic policies like her father, she also shares his strong arm approach to crime.

Toledo and Fujimori have sought to demonize Humala, who this week, in the

most moderate speech of his political career, said he would respect the central bank's independence and Peru's growing number of free-trade pacts with countries like China and the United States.

"We've seen a change in his discourse, but his plan of government is the same," Fujimori told Reuters. "That would be a grand step backwards and would stop investment in the country."

Toledo, an economist, said Humala would rattle markets that fear government intrusion.

"It's time to choose between two roads: a market economy or a state-run economy," Toledo told reporters.

But some on Wall Street appear convinced by Humala's more moderate tone.

Moody's ratings agency told Reuters a Humala victory would not compromise Peru's investment-grade credit rating, while Capital Economics said his views appear "more centre-left than left-wing extremist."

Others have said Humala's party would lack seats in Congress, putting him in a weak position to push through any big changes.

To improve his chances in an eventual second-round, some analysts say Humala should move further to the center and distance himself more from Venezuelan President Hugo Chavez, who endorsed his 2006 bid for the presidency.

Speaking in Buenos Aires on Tuesday, Chavez said he was "a friend of Humala" but "does not intervene in the internal affairs of other countries."

(Additional reporting by Teresa Cespedes and Marco Aquino; Writing by Terry Wade; Editing by Vicki Allen)



Peru's presidential candidate Alejandro Toledo greets supporters during a rally in the Andean city of Cuzco April 4, 2011. REUTERS/PERU POSSIBLE/HANDOUT

COVER PHOTO: Kids play on the roof of their home next to a banner of presidential candidate Keiko Fujimori at a shantytown in Lima March 27, 2011. REUTERS/PILAR OLIVARES

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