

**Discussion with Dr. Alejandro Toledo  
Presidential Candidate and Leader of the Peru Posible  
Party**

**Co-hosted by the International Republican Institute and the  
National Democratic Institute**

**Friday, April 27, 2001**

**Michael Zarin, IRI Regional Director for Latin America and  
the Caribbean:** Please allow me to set some of the ground rules  
to assure an orderly and constructive engagement today. First  
this is an on-the-record presentation. Dr. Toledo will make his  
comments in English, after which he will take your questions.  
Because of the size of the audience we ask that your questions be  
brief and to the point, and that they be asked in English.  
Please wait until you are recognized to ask your questions. We  
have staff who will be circulating with hand-held microphones.  
We ask that you wait to receive the microphone before asking your  
question to ensure that Dr. Toledo and the others will be able to  
hear your questions.

As a courtesy to Dr. Toledo, please identify yourself and  
any organizational affiliation before asking your question. And  
after the question and answer period Ken Wollack from the  
National Democratic Institute will make some concluding remarks.  
And, again, given the size of the audience we ask that you remain  
in your seats while Dr. Toledo and his team depart. And with

that, let me introduce to you the president of the International Republican Institute, Mr. Lorne Craner. (Applause)

**IRI President Lorne Craner:** Good afternoon, I want to welcome all of you to the International Republican Institute. It's an honor for us to gather with our friends from the National Democratic Institute to host Dr. Alejandro Toledo, the leading contender for the presidency of Peru.

Also joining us this afternoon is Dr. Toledo's vice presidential running mate, Raul Diez Canseco, and Dr. Toledo's wife, Elian Karp. To my right is Ken Wollack, president of the National Democratic Institute, which has done such an outstanding job in observing both the 2000 and 2001 presidential elections in Peru.

Dr. Toledo has led a distinguished career in the fields of social and economic development. He earned masters and doctorate degrees from Stanford University. He has consulted with the United Nations, the World Bank, the InterAmerican Development Bank, the International Labor Organization and several Latin American governments.

Dr. Toledo has been a business school professor, as well as a researcher and professor in international development at Harvard University.

Politically, Dr. Toledo rose to national and international prominence during Peru's 2000 election campaign. He competed on

a substantially uneven playing field and endured a relentless government sponsored campaign against his candidacy. The Peruvian people rallied to Dr. Toledo as he became the focal point for opposition to the Fujimori regime.

The 2001 election process has been tough, sometimes quite personal, but satisfactory as our colleagues at NDI have amply reported. Dr. Toledo secured the highest number of votes in the April 8<sup>th</sup> first round, and will face former president Alan Garcia in the second round, which is currently expected sometime in late May or early June. Dr. Toledo, welcome. (Applause)

**Dr. Alejandro Toledo:** I beg you to bear with my rusty English. I'm through five campaigns already and I haven't been able to win one yet. (Laughter) And the only one that I won they stole it from me. So I'm losing my voice also, but just the voice. It's a pleasure. It is really a pleasure. And let me - Mr. Craner, Mr. Wollack - thank you very much for organizing this jointly. It says a lot about democracy in the United States and the level of tolerance for political differences. I cannot say the same for my country.

I think that on some fundamental issues, there are not many discrepancies. Democracy, freedom, human rights. And this is what I'd like to talk to you about this afternoon.

Thank you because otherwise, given just one day in town, I wouldn't have had the time to do several ... it's very kind of you.

Peru is today at a very crucial moment of its history. This is not just a phrase. Peru is coming out of a very traumatic experience, an experience that I do not wish for any country in Latin America or in the world. For the last 20 years, more precisely the last 15 years, Peru has put a lot of hope in two presidents. And both of them ended up disappointing Peruvians.

I am absolutely impressed by the will of Peru not to throw in the towel and to still stubbornly strive to believe in someone and something: Hope. During the campaign I see people crying -- people, young people, old people. They want to hold on to something. They want to believe in someone. The last 15 years have been a deep, profound disappointment.

I am not a person who gets stuck in the past. I am a dreamer. I am a strong holder of my own convictions and I fight for that. Destiny somewhat put me the last two years in the front to fight for democracy and freedom. I paid a high price. But if I have to do it again, I would.

Now we need to look to the future. We need to close wounds. We need to rebuild the country. And I don't mean only materially, not only economically, not only building strong democratic institutions -- we need to rebuild the hope of the people.

The international community -- both Institutes -- have played a critical role in forming public international opinion

that contributes significantly to our internal efforts to recoup democracy. We took a giant step, and it's the result of a collective effort, both within Peru and outside Peru. But what we have at hand is still very fragile, very fragile democratic institutions. And we need to be very careful not to throw away what we have accomplished.

Whoever wins the election -- and I hope you people will vote for me -- will inherit an economy in shambles, will inherit very high social expectations, will inherit a country very centralized and will inherit a country with an institutional vacuum.

In the economic area, there isn't much discrepancy as to what we ought to do among those who are responsible for the management of the economy. Yesterday we were in New York and we presented our program and we presented part of our team. Fiscal and monetary discipline are vital to reactivate the economy, and vital for a responsible management of the economy. And, I'm not going to go into the diagnosis of the problem. But I'll tell you one thing: if I'm elected I will not - I refuse - I will not produce two million percent inflation. I will not isolate my country from the international community. I will not bring the economy into a recession. I will not produce more unemployment and underemployment. I will not expand poverty. More strongly, I will not get into any ... I will not make any concession and I will fight against corruption and human rights violations.

Perhaps we will make mistakes. We're just human. But if we are elected, I have a clear ... I'm sentenced not to fail the hopes of my people. If we are elected, it will be the first time in 500 years that someone like me gets democratically elected to a presidential position. Therefore, it's an enormous responsibility put on our shoulders.

One of the most critical areas I would like to move on is legal stability. We need to rebuild democratic institutions. And one of the areas that I would like to start on July 29<sup>th</sup> is the judicial system. Legal stability is a requirement for providing hope, but it also sends a clear signal that those who are considering investing in Peru can do it and rest assured that we will not change the rules of the game in the middle of the game. I consider this of vital importance.

Having a fiscal and monetary policy that is disciplined ... it's not a matter of discrepancy, it's not really ... it's just a technical problem. In a global world, capital goes where the rules of the game are clear and where there is a legal stability.

We have learned from the last 10 years that when you have an institutional weakness the temptation for a dictatorship is very strong. The other side about dictatorship is corruption and human rights violations. Strong institutions is my first point -

- strong democratic institutions. I know that this cannot be produced overnight. But I want to start.

Secondly, I want to close wounds. I want to contribute to the construction of my country. I don't want any revenge attitude. But we will not permit impunity. We need to look at ourselves in the mirror. We need to reconcile ourselves, but not by permitting impunity.

Never again.

Never again should we permit ... and when I say "we," I'm not referring only to Peruvians, I'm referring to the citizens of this global world. Never again should we permit an experience, such as the one that Peru has lived the last 10 years, happen again in any part of Latin America, in any part of the world.

Please do help us. Please let us hold our hands to work together towards this objective. With strong democratic institutions, with counterbalance of powers, we can guarantee...we can increase the possibilities that this Fujimori phenomenon will not be repeated again in any part of the world. And I'm thinking about two or three countries in risk of replicating this.

Friends, when you don't have strong institutions, there is the risk that an individual's characteristics will prevail. And, when we don't have strong institutions, those who speak pretty could increase their probability of winning an election. I'm confident that my country is smart enough not to be persuaded by

pretty words, but rather by the responsibility and the management of a country.

Peru in about four weeks will have to make a very crucial decision. This is democracy. We fought, we put our lives on the line, we got what we got. It was a collective effort both nationally and internationally. Now Mr. Garcia can participate in this presidential competition, practicing or making use of the democracy that we all together were able to recover.

All I can assure you is that we have made considerable progress in the polls. But, I still do not understand the collective psychology of my country. But in the end, they delivered. All I can assure you is that I will not fool around with the hopes of Peruvians. I will put my professional, my mind and my heart into doing a good job, to do the best I can. We will open our hands to all the people who do not belong to our political party. Dialog. To connect will be our primary effort. I can announce this afternoon that we have now have a 90 percent possibility that we will have a majority in Congress.

Peru Posible is a political party that only has six years. I co-plotted in the foundation with this when I was at Harvard with two people. And now it's the main political force in Peru, but it's still a young institution, with all its fragility, and we still have a lot of work to do. And I hope that both Institutes can help us in trying to (inaudible) it.

We have 45 seats in Congress out of 120. But no one has an absolute majority. But by opening up, by doing some consulting, we have been able to almost close up a consensus for having a majority in Congress and give governance to the country.

Because there are some tough decisions that we need to make and that need to be approved by Congress ... governance is a central issue no matter who wins the election. So fragile is our condition in Peru that we have no option but to hold hands independent of our differences in political optics.

We have presented yesterday in New York what we are in terms of economic policy. We have said that we believe in a market economy with a human face. And we will do the whole schmear in terms of fiscal and monetary policy, in terms of relative prices, in terms of promoting privatization, in terms of creating an adequate climate to attract private investment, both national and foreign.

We want to promote production with aggregate value, primarily for exports. And we want to reassure that the issues between Peru and Ecuador are closed issues. We will not reopen that. I know that Fujimori is not the closest friend I have. But he made this accomplishment and we will not reopen it. I think it's an advantage because we can get some financial degree of freedom if we stop buying armaments.

In the area of corruption and human rights it's an area that is costing me a lot politically. It is a campaign that is done behind...that is trying to prevent us from being the government. I know that there is a lot at stake. I know a lot of them...some of them believe that if we are the government, we are going to go after them. No, we're not. We will restrain them. It is for the judicial system to do that job. I just want to make the economy grow, to invest more in education, to strengthen the democratic institutions, to decentralize the country. But let the judicial system -- the restructured judicial system -- do the job. We will perhaps ask the international community to provide us some support for making substantial changes right from the beginning of the judicial system. But it will be the responsibility of that sector to do what it has to do to fight corruption and to judge the level of guiltiness or even the sense of some people that are being questioned now.

I hope that just as trade and finance have been globalized, I hope that the judicial system also gets globalized. And I hope the United States will help us to declassify certain information, help the judicial system in order to make some progress, and enable the judicial system to do a faster and better job so we can get it over with and then we can reconcile.

We have signed an agreement for the formation of la Comision de la Verdad [Truth Commission]. I think it's vital that it is

implemented and that people with moral authority be members of it. We will leave it in their hands. However, we already have some ad hoc commissions, such as Jose Ugaz who was investigating some accusations against Montesinos, now Fujimori. I can assure you that if I'm elected we will institutionalize those commissions.

My friends I remember the last time I was over here we were still in the struggle to regain democracy. Now I'm a candidate, and in about four weeks a decision will be made. Today we are 17 percentage points ahead, [according to] the last national poll that was announced yesterday. But my country is very unpredictable. I cannot say that I have it within my pocket. I have to go back to work hard. I am committed today to Enrique Iglesias and to the people from the World Bank ... that with us, we will have a respectful, horizontal, two-way equal relationship. In trade and international policy, we will request help to achieve the objective of human rights and [defeating] corruption; but ultimately the job is ours within the country.

I want to take this opportunity to express my deep thanks to a lot of people who are sitting in this room, who they know play a critical role in the process of regaining democracy and freedom. We did it in Peru. But you know history will be written and each one played a role in their respective corner. Now we are celebrating. No matter who wins the election we are

already celebrating a victory. The fact of having an election 12 months after, or 13 months after, they robbed our victory ... the fact that we are having an election, we already ... Peru won. Democracy won. Of course, I want to be a president. Thank you very much. (Applause)

**Michael Zarin:** Thank you very much for those comments. As is our usual custom we'll take questions. But I would ask that you please identify yourselves and any affiliation as a courtesy to Dr. Toledo and also staff members will have hand held mikes to make it easy for everyone to hear and for the translation.

**Ben Barber:** Ben Barber from the *Washington Times*. Some people were shocked that Mr. Garcia came so rapidly forward in his polls to win the second place. And you yourself did not do as well as had been predicted. Have you made some changes in your political strategy based on the results of the first round?

**Toledo:** I came to ask advice of the Republican Party to change my strategy. (laughter)

Number one when you have a race with four candidates that are relatively strong, the votes split up. I mean, 25 percent Alan Garcia, 24 percent Lourdes, 10 percent Fernando Olivera, and 36 percent us. Of course, it's very difficult. I always set up our highest standard and maybe ... I won't change that. I wanted to win in the first round. It was not possible.

But the surprising part is why ... how come Alan Garcia -- after his record from 1985 to 1990 -- still has a high standing. To say that the reason is because he speaks pretty would really be a very superficial analysis. He hopes. But, I think that it has to do with a point that I was trying to make, that the absence of strong political parties, the absence of strong democratic institutions, permits that the personal ability, independent of what's proposed, plays a critical role. He does not have a government plan. I'm serious. He had to put a team, which is the same team, that with great efficacy produced the two million percent inflation. And I mean literally the same ones. The same. The head of the economic team is the guy who was director of an export institute, who created this differentiated exchange rate that induced corruption.

So I think he is a great candidate. Really we had to sit down after the election and determine what really happened, why. Lourdes Flores made a mistake. They told me Lourdes Flores was the candidate of the United States ... (laughter). She made a mistake, I think, by aiming at us as the main contender. And while we got into this fight the other guy was behind, losing very easily, and he got to the second round by 1.5 percentage points difference. But he's in.

Just give me two days when I go back and we will refresh the memories of Peruvians of how it was like, the Garcia government.

I have a disadvantage, I have to admit, with him. Aside from being tall and good-looking ... I'm short. We found a document from the Secret Service that says Enemy Number One: Alejandro Toledo. Objective: Destroy credibility. Action: (you know how the military write). Violent, (inaudible), changes opinion, has no personality. And it worked. At the end, 46 percent of the people were reluctant to vote for me ... but now that the evidence has come out that has changed tremendously. But it's still fresh in the memory of a lot of people: this Toledo is violent, this Toledo who mobilizes and creates instability. While his government chaos was happening 15 years ago. An additional element is that there is a an age group that did not live that experience. They were eight years old, ten years old, now they have to vote. But I had to deal with that. Don't worry. I'm prepared for it.

**Timothy Towell:** I'm Timothy Towell former U.S. Ambassador to Paraguay. Dr. Toledo I like very much your phrase "market economy with a human face." Using the overheated rhetoric of the hemisphere one could translate that into neoliberalism with social justice. That's a hard load to carry, especially with the economy in the region turning down. When you're elected president, Dr. Toledo, will you be able to do both of those things or will there be tremendous pressure to dump the market

economy side of things and sort of veer off toward Chavez and the Venezuelan model?

**Toledo:** I thank you for the question. Everything was nice in your question until you came to the last part. No, no. I have been a nice boy to do my job, to give my credentials. Come on. I come from Stanford University. I did the World Bank, the IDB. I did Harvard University. I did the OECD in Paris. I've done Tokyo. I wrote six books about it. Give me some credit. Now I do think that today it is not incomparable. It's not incongruent to have on one side a responsible management of the economy, a market economy, with fiscal monetary discipline, with relative prices in its place ... and the whole thing of a market economy that I just mentioned during my presentation. And I say that is not incongruent with putting emphasis on investing in education, in health, in nutrition.

Now the question is: Well, where do you get the money from? Let me suggest to you that today it is possible to do some re-engineering of public investment. Within the parameter of not spending more than you have as an income, you can re-prioritize and do some internal recomposition of your national budget. Maybe we will not buy ... we will buy less planes ... arms. And we will have some savings.

And that is what I said we will not re-open the Ecuadoran and Chilean case. Not only for peaceful reasons for which I'm

committed, but also because we can make some financial space to re-orient resources toward education.

And when I said "market economy with human face," that's what I meant. I mean that you can do both without creating inflation or fiscal deficit. It's a matter of restructuring the internal composition of your budget.

**Male Voice:** (Spanish)

**Toledo:** (Spanish) (Laughter) I beg you please just let me answer this question in Spanish. (Spanish) (Laughter)

**Male voice:** Could you repeat what you just said for the benefit of those of us who don't speak Spanish?

**Toledo:** What did I say? (Laughter) As I said at the beginning you have to bear with my rusty English. Well, the first part is what we have accomplished in terms of recuperating the democracy and freedom is the result of a collective effort. And although this constituted a giant step, we need to take care of it and watch it carefully, because it's still very fragile.

Secondly, foreign investment is part of our proposal. But that doesn't mean that that gives a blank card to companies to come from within or outside the country to do investment without taking into consideration the ecology requirements, particularly in mining or in fishing.

And, third, there is one ... I don't know the word in English, but out of the benefits derived from exploring mining and oil,

the law says that one percent should go to the local government ... royalties, royalties.

But that money that is supposed to go to the local governments in order to improve the local community -- that money goes to the central government, and the central government is just using it as a political maneuver. It did not go to the local government. Our proposal is that the royalties should go directly to the municipalities.

**Maureen Taft Morales:** I'm Maureen Taft Morales from the Congressional Research Service. You mentioned a lot of the serious problems that arise because of a lack of strong democratic institutions, including the lack of strong well-organized political parties. What are you going to do if you win to strengthen not only your own party, but other political parties to try to get a loyal opposition, just to strengthen the political party system? And also, sorry, but if you lose what would you do to try to strengthen and to keep your political party an active player in the process?

**Toledo:** I don't accept the second one, the last hypothesis.  
(Laughter)

**Taft Morales:** It's only hypothetical. Sorry, I had to ask.

**Toledo:** I'm in politics and I don't do academics anymore.  
This is a medium, a long-term task, but we need to start it

yesterday. Fujimori is a result of Alan Garcia and the lack of strong democratic institutions.

Let me just pursue a line of thought about Alan Garcia producing Fujimori. If Alan Garcia gets elected again, it will be closing the circle. Alan Garcia produces Fujimori, Fujimori rehabilitates Alan Garcia and when Alan Garcia is finished, Fujimori can come from Japan and be a candidate again.

I will do everything that's in my power to break that. Part of that fragile institution is the weakness of political parties. And I think we need to make a strong specific effort to create new political parties that are aware of the new challenges that the world, the competitive world, presented to us. As a person I am committed to that. As a president I am doubly committed to it.

I'd like to make a confession. I just don't want to be a president. I don't want to be just a president. I want to make a difference. I'm ambitious. I just want to make a difference and it will be just five years in government. I will not change the constitution. And then I will go to do some work on strengthening the democratic institutions somewhere.

**John Gizzi:** John Gizzi of Human Events, News Weekly. Question is two-fold, Dr. Toledo. First you mentioned ... there's been a lot of talk about your campaign strategy. In the tradition of candidates in Israel and Great Britain and Germany

are you using any American consultants in your campaign? And, second, a lot of us have noted that the new prime minister in Japan is someone who is a genuine outsider and maverick not unlike yourself. Do you expect that that will enhance the chances of having President Fujimori repatriated to Peru for possible trial and are you going to pursue it with the new prime minister?

**Toledo:** I have a hunch that you have some inside information about American help in my campaign. We do have several people from outside the country who provide us very useful help. I'm not about to divulge who they are. But, yes, we are trying to make this professional. There are some inputs that really help a lot. But ultimately it's your political instinct that, put together with the professionals who know that area, hopefully will be able ... to lead us to a victory.

We are ever reading now how much the size of the foreign debt is with Japan. We were at JP Morgan yesterday in New York. We saw how much the foreign debt is. But we won't trade foreign debt for impunity.

You people have been extraordinarily kind with me, and so I have to tell you something. I'm a person of strong convictions and I think that I have demonstrated this during the last two years. I want to look at the future. But I don't want to trade it for impunity. So, yes, maybe we hope to have a good state-to-

state relationship with Japan. I hope this fresh new leadership will consider that it is important. We need their investment. We have some trade relationships, some financial relationships. I have nothing against Japan. To the contrary. But at the time, Japan cannot hide someone who has lied. A Peruvian who said that he was a Peruvian. There was a lot of research done about his nationality. He denied it. And now he's hiding behind it. He needs to respond to the Peruvian justice, not as a process of revenge, but rather as a process of healing, knowing the truth, and then looking forward.

We will pay our foreign debt to Japan. We will pay our foreign debt to Japan within our possibilities we will comply with our external responsibilities. We will not trade it for impunity.

Let me just conclude by saying - Mr. Craner, Mr. Wollack - you have provided me with an extraordinary opportunity, because this is the first time that I have come to Washington after we recovered democracy. But in any case I want to thank you enormously for having stood behind us in very difficult moments. I say deliberately this is the result of a collective effort of those who believe in democracy and freedom and in human rights. No matter what the results of the election might be, Peru will be forever thankful to Peruvians and to the international organizations that gave us a hand ... and who were sometimes in

very uncomfortable positions. I thank you very, very much.

(Applause)

**Ken Wollack:** If you could just stay seated for one moment, I wanted to close by saying a few words. Dr. Toledo - Alejandro - Elian, Raul, thank you very, very much on behalf of both Institutes for being with us. Alejandro you talked a little bit about the height of the candidates in Peru. But knowing what all three of you had to endure over the past several years - when I first met you all three of you were a little taller than you are now.

The fraudulent elections of last year exposed the corruption by the Fujimori government of the institutions and processes in Peru that are central to national development, including the electoral authorities, the courts, large segments of the news media, the military, the intelligence agencies, and the state apparatus in general. Even assistance programs that deliver food to the poor. And it was the forceful efforts and courageous efforts of Peruvian democrats, led in large measure by Dr. Toledo that exposed the corruption of the political and electoral processes in the country.

But even beyond that, what those Peruvian democrats achieved was to change the balance of power in the country and deny the sense of inevitability of a continued Fujimori regime, and deny him the legitimacy he so desperately needed and subverted the

political process to try to achieve. What he had done was deinstitutionalize Peru. And what is needed now is a reinstitutionalizing of the country.

So the challenges that lie ahead are great. They did not end with the departure of Mr. Montesinos or Mr. Fujimori. Nor will they end, as Dr. Toledo said, with this election. And while you know, Alejandro, that we're not in the endorsement business (we are observing the election), all of us wish you every success in the days and months ahead. Thank you very much for being with us.

(Applause)

- END -