

Peru's economy sags as social conflicts mount

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Over the past several weeks the Peruvian press has published a series of macroeconomic statistics that indicate a slowdown in the country's economy. However, the government and the right-wing press have stressed that Peru remains one of the fastest-growing countries in the world, seeking to allay concerns and continue their campaign to promote the country as one of the most attractive regions for foreign and domestic investors.

In making this pitch, they remain silent on the terrible drama of poverty and despair unfolding for people in regions distant from the capital. A more detailed reading of the situation paints a very different picture.

Alongside the still acceptable national economic growth rate, it is reported that in the department of Cajamarca, known as the region containing the principal gold and silver mines, as well as the scene of greatest social conflicts, the government has been forced to cancel the Conga mine project, which represented an investment of \$5 billion.

Meanwhile, the government is mired in a mounting political crisis. As to be expected in a semi-colonial country, the president and his government, pre-election populist rhetoric notwithstanding, sooner or later become loyal lackeys of foreign capital and its national junior partners. This process has unfolded rapidly under Peruvian President Ollanta Humala, triggering mounting popular discontent.

In domestic politics, the tripartite mechanism whereby parliamentary factions have divvied up the posts on the Constitutional Court (TC), the Ombudsman position and directorships in the Central Reserve Bank (BCR) triggered such popular outrage that the government had to backtrack. The reason for the furor was that many of those named lacked any legal background or experience.

For example, among those named to the high court was Rolando Sousa (lawyer for the imprisoned ex-

President Alberto Fujimori who defended Fujimori's 1992 coup and expressed utter contempt for human rights). Pilar Freitas, a leader of the Peru Posible party who also had her start as a functionary in the Fujimori regime, was appointed to the post of Public Ombudsman. She is accused of official corruption and has an open criminal warrant for falsifying signatures to gain ballot access. The appointments were canceled by Congress after a massive protest march by university students was brutally repressed with tear gas with 11 demonstrators detained.

In the little more than a year since he took office, "the roadmap" of social inclusion outlined by President Humala in his election campaign has been recognized as a fraud by almost all citizens, regardless of their social background. Humala's popularity is at its lowest ebb from "Sector A" (the highest income bracket) to "Sector E" (those with the lowest income).

The slowdown in economic growth and the economic debacle confronting certain regions of the country have weakened the prestige of the government and its policies. Peru Posible, the principal political ally of President Humala's Gana Peru party is also in crisis. Five more legislators resigned from the party (which is led by former president Alejandro Toledo) leaving only 10 of the 21 originally elected.

Macroeconomic figures

Citing the Commission for Latin America (ECLA), central bank President Julio Velarde argued that, while the growth rate for the Latin American region has declined from 3.5 percent to 3 percent annually, Peru remains well above the average. According to the same institution and the Chamber of Commerce of Lima

(CCL), the national growth has fallen from 8.8 percent in 2010 to 6.2 percent in 2011 and continued to decline to 5.9 percent in 2012. A lower figure is forecast for the current year.

Velarde attributed the decline to the “difficult international conjuncture” confronting Peru’s main trading partners—the US, the European Union and China—as well as falling internal consumption. He forecast that the growth in private investment would fall to 7.9 percent this year compared to 26 percent in 2008.

The central bank head acknowledged that investment has been affected by social conflicts. Peru’s national currency, the sol, has depreciated 9.29 percent relative to the US dollar so far this year, while the stock market has fallen 25.3 percent, with mining companies hit by lower demand from China.

The government’s inability to carry forward any program of social inclusion is a consequence of the enormous contradictions of capitalism in countries like Peru—subordinated to imperialism and the world market—where the most sophisticated mining technology on the planet coexists with the ancient gold mining techniques dating back to before Spanish colonization and the very low productivity of peasant famers. It is a clear and extreme case of combined and unequal development.

The department of Cajamarca is known globally as the site of the second-largest gold mine in the world, Yanacocha, which is operated under a partnership between the Canadian company Newmont Mining, with 51.35 percent, Minas Buenaventura with 43.65 percent, and the International Finance Corporation with the remaining 5 percent. In his attempt to promote investment in Peru, the president of the BCR passed over in silence the alarming figures of economic collapse in Cajamarca.

So far this year, meat production has fallen 6.9 percent; mining investment, 9.3 percent; employment, 9.6 percent; gold production, 26.5 percent; visitors to tourist sites, 20 percent, tax revenues, between 40 and 60 percent and profits made by businesses between 75 and 80 percent.

In mining, the heart of Cajamarca’s economy over the past 30 years, transfers of mining royalties (the mining tax that goes to Cajamarca) are projected to fall by 45 percent this year. Investment in mining fell 9.3

percent in 2012.

The future looks even grimmer. Ninety percent of mining projects have been postponed. In 2011 and 2012 the respective growth rates for Cajamarca stood at 2.9 percent and 2.1 percent, the slowest of all the regions according to the National Institute of Statistics and Informatics (INEI).

Jorge Vergara of the Chamber of Commerce and Production said that Cajamarca is “in a clear process of recession” in both city and countryside. Vergara reports that cement sales are falling as defaults on bank loans increase, and that 100,000 jobs with social security and the right to pensions have been wiped out.

According to a report entitled “Barriers to economic growth” in Cajamarca, the main problem is low productivity, especially in agriculture, which involves 56 percent of the economically active population.

Meanwhile, the Yanacocha mine is forecast to cease production within four to seven years if the Conga mining project does not go through.

Before, Cajamarca led the mining investment portfolio. There are promised investments totaling \$9.183 billion, including \$4.898 billion at Conga, \$1 billion at Michiquillay and \$2.5 billion at Galen.

The right-wing newspaper *El Comercio*, through its columnist Federico Salazar, has given voice to the demands of both foreign investors and domestic mining companies, insisting in the name of economic growth that the government overcome social opposition to the mining projects.

Newspapers such as *La Republica* and *La Primera* warn of a possible social explosion. They stress that the government should resolve all of the accumulated demands of the unions.

There is a resurgence of class struggle in Peru, with strikes in the health sector, protests over the University Law and conflicts over the Civil Service Law. The unions charge that this new law threatens job security, collective bargaining and the right to strike. The General Confederation of Workers of Peru (CGTP) has called for a general strike on August 26.



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