Peruvian transport carriers end road blockages as giant copper mines remain shut down

Cesar Uco, Don Knowland
23 March 2022

On March 14, freight carriers in Peru's capital Lima, its principal seaport El Callao and Arequipa, Peru's second most populous city, began blocking roads in protest against sharp increases in fuel prices.

A strike by 200 transport companies was called for March 17 that would paralyze economic activity in Lima and Callao.

A strike in Arequipa was called by heavy load carriers, threatening disruption of the economy in the south of the country.

While, paying 40 percent more for fuel, truckers have also been hit with a tax on cargo vehicle ownership equivalent to some 18,000 soles per truck (almost $5,000). In addition, commercial activity has fallen 50 percent, so that heavy haulage is no longer profitable.

Fearing that the labor conflict would spread to other sectors and ignite the class struggle in Peru, the government extended its state of emergency for 45 more days in Lima and Callao, authorizing the national police and military to maintain "internal order," and continuing the suspension of constitutional rights as to the inviolability of the home, and freedom of transit, assembly and personal security.

The government quickly turned to the leaders of the transport workers unions to nip the strike in the bud. They then agreed to a two-week respite from strike activity. By Saturday the 20th, the government and the transport workers unions entered into a settlement. The settlement established that diesel fuel will be included in the government's fuel price stabilization fund, but it appears that little more was accomplished.

Meanwhile, struggles taking place at the giant Las Bambas and Southern Copper copper mines are contributing to an already deteriorating economy.

Peru is the second largest copper producer in the world, and the two companies account for close to a third of national copper production. Their combined production was down approximately 27 percent in the first two months of this year.

Las Bambas is a Chinese transnational owned by MMG valued at more than $5 billion. It stopped operations in mid-January, due to local residents blocking the road to the mine, demanding financial contributions from the company. This is an ongoing conflict between the company and the indigenous communities, whose land the road passes.

Southern Copper's Cuajone mine, the country's second largest, valued at $7.9 billion and with 5,000 employees, is owned by a consortium of Mexican companies, Grupo Mexico S.A.B. de C.V.

On February 28, local protestors, demanding $5 billion in compensation as well as a 5 percent share of the company's profits, blocked the company's access to a water reservoir and other key supplies. On March 15, operations at the mine were suspended for 15 days.

In 2021, Peru's GDP grew by 13 percent. This was largely due to re-opening the economy at the cost of eliminating measures against the pandemic.

At the beginning of 2022, the Central Reserve Bank (BCR) was projecting 3.5 to 4 percent annual growth. It has now reduced this figure to less than 2 percent.

Rising interest rates, inflationary problems in the US and the effects of the war in Ukraine are major economic stressors. According to the chief economist at Spain's bank BBVA, Hugo Perea, "Inflation itself is deteriorating purchasing power." *Gestión* reports that a barometer of "the deterioration of the Peruvian economy is the low consumption of credit and debit

© World Socialist Web Site

cards, especially on food, health, education and entertainment."

According to the BCR, annualized government figures for the family consumption basket indicate that inflation of goods for the last two months was 5.1 percent. Among the main ones were food and beverages at 8.2 percent and household appliances at 7.1 percent. Further affecting the family basket, inflation in services was 2.5 percent, the main one being "food outside the home" at 8.6 percent.

Inflation in goods and services pales when compared to annual rates of inflation for energy, with gasoline increasing 21 percent annually, domestic gas at 8 percent and diesel at 11 percent.

The government's figures undoubtedly understate the reality. A WSWS reporter interviewed the owner of a small food stand, serving workers on lunch break. She told the WSWS: "a kilo of chicken had gone up from 8.3 to 9 soles in 7 months (a 15 percent annual increase); bread from 20 cents to 40 cents in one year (100 percent); a sack of rice from 135 soles to 174 soles in one year (29 percent); a kilo of aji rocoto more than double in one week, from 6 soles to 14 soles; a kilo of lemons from 3.5 to 4 soles; a kilo of carrots from 1.5 to 2 soles, a 33 percent increase in one day; oil from 6 to 11 soles in six months (236 percent), sugar from 130 to 150 soles in one week; and churrasco meat from 20 to 25 soles in six months."

The rating agency Fitch said recently that the "increasing political volatility in Peru was the key to the decision to remove the positive outlook for the credibility of the country's macro and fiscal policy in its rating," which led to a downgrade to "BBB/Stable." This week it announced the possibility of further downgrading Peru from "Stable" to "Negative." As a consequence, foreign currency loans to the Peruvian government and domestic companies will be markedly more expensive.

La República announced, "S&P downgraded the dollar risk rating of Petroperú to 'BB+' and placed the state-owned company on its special review list with negative outlook." In other words, one of the most important companies owned by the government now has a "junk bond" rating.

This economic deterioration comes as the government and the ruling class are already plunged into deep crisis.

Pedro Castillo assumed the presidency on July 28 of last year, after defeating the ultra-right-wing and corrupt Keiko Fujimori of Fuerza Popular in a close race. His approval rating has rapidly plummeted and now hovers at around 25 percent.

On March 14 the Peruvian Congress passed a motion to impeach Castillo over alleged corruption, with 76 voting in favor, 41 against and 1 abstention. Impeachment requires 87 or a two-thirds vote. Congress has summoned Castillo to appear for an impeachment trial on March 28.

On March 15, in an hour-long speech, Castillo rejected corruption allegations. He told Congress that all branches of government are in crisis. "Peru is going through an institutional crisis without precedent," Castillo said. "We will send to the Congress of the republic a set of reforms that will allow us to overcome this structural crisis," he continued.

Castillo, a former teacher's union leader, posed as a left-wing populist in his presidential campaign, garnering wide support from the international pseudo-left. However, once in office, he veered sharply to the right. He lost no opportunity to praise the Peruvian military, and called the Army into the streets on the pretext of combating crime in order to quell disquiet among workers and youth.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site