

Peru's corporate chiefs rattled by deepening crisis

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Fears that social unrest, economic stagnation, political corruption and unprecedented levels of popular hatred for the government are creating a crisis of bourgeois rule dominated the recent annual conference of Peru's big business executives.

The 62nd Annual Executives Conference (CADE 2024), organized by the Peruvian Institute of Business Administration (IPAE) was held on November 26, 27 and 28. According to the CADE website, the conference aims to “generate a space for reflection, inspiration, and action.” During these conferences, the top 500 national companies showcase their growth projections, presenting a positive outlook to attract investors and secure a competitive market position.

Instead, widespread pessimism marked this year's CADE, which was held in the immediate aftermath of an APEC summit, which the government had hoped would lift its international standing, but was instead dominated by mass strikes and street protests.

A central feature of CADE 2024 was the presentation of results gathered by the polling company Ipsos.

The survey asked businessmen whether the country has regressed or advanced. The results showed that 63 percent believed it had regressed, marking a 10 percent increase from the previous year, while only 9 percent thought it had progressed, a decline of 8 percent since 2022.

The main issues identified were corruption, which was cited by 86 percent of respondents, while crime and a lack of security were cited by 85 percent. The disapproval ratings for Congress reached 96 percent, followed closely by the Executive and the Judiciary at 92 percent. This is only slightly better than the jaw-dropping 3 percent approval rating for President Dina Boluarte in a recent nationwide opinion poll.

The 6 percent approval rating for President Boluarte in the latest Ipsos poll compares to 37 percent just last year. Boluarte has been accused of crimes against humanity for directing the bloody repression of protests against the ouster of her elected predecessor, Pedro Castillo, which claimed some 50 lives and left another 1,400 wounded.

In the Ipsos survey, 61 percent of the big business respondents identified political risk related to crime and insecurity as a major factor. Twenty-eight percent expressed pessimism or intense pessimism about doing business in Peru, while 53 percent felt neutral about the business climate, and only 22 percent were optimistic or very optimistic.

Another concern at the CADE conference was economic

stagnation. The Central Reserve Bank of Peru (BCRP) indicates a disappointing economic growth of 2 to 3 percent for this year, with similar figures forecast for 2025. Norman Loayza, director of the World Bank's Indicator Group, said that Peru needs to reach a 5 percent growth rate to regain economic stability and maintain its investment grade rating from US risk rating agencies.

Similarly, the Organization for Economic Co-operation and Development (OECD) issued a report earlier this month on Peru warning that the “political uncertainty” was threatening to choke off foreign investment flows and limit economic growth. The report predicted 3.1 percent growth this year, falling to 2.8 percent and 2.6 percent in the next two years. At least 4 percent growth is seen as necessary to put any dent in the country's soaring poverty rate.

At CADE 2024, the president of the BCRP, Julio Velarde, ventured beyond his typical role, commenting on the political situation, which is unusual for a central bank president expected to maintain autonomy. His emphasis was on cost-cutting, improving education, and eliminating palliative tax cuts to micro and small businesses—known by the acronym of MYPES—like beauty salons, small shops, and restaurants, leaving untouched large conglomerates to meet the desired 5 percent GDP growth.

Significantly, media reports on CADE 2024 highlighted President Javier Milei's drastic economic program in Argentina, which has left half of the population in poverty, as a model to follow.

Following Velarde's line, economist Elmer Cuba, a member of the BCRP board, highlighted worrying education results. “Forty percent of primary school students do not understand what they read,” and only “20 percent can solve basic math problems,” he said.

The BCRP's rejection of tax-cut measures for MYPES coupled with suggestions for cost reductions, mean that the burden of economic recovery will fall primarily on the working class and small business owners. In contrast, big businesses and their foreign partners would remain unaffected.

The opinion of the BCRP president is highly influential; according to Ipsos, 99 percent of those surveyed approve of Julio Velarde's management. Given the pessimistic outlook regarding the future of doing business in Peru and the high dependence on the BCRP president's judgment, the Peruvian economy is hanging by a very fragile thread.

There are signs that Peru is on the verge of a recession. The vital

mining region of Arequipa is projected to close 2024 with a GDP growth of -2.6 percent.

Arequipa has also become the epicenter of a massive movement of artisan miners. As CADE 2024 was taking place, over 3,000 artisanal miners set up roadblocks on the main highways used to transport minerals from the Southern Andes to the Matarani seaport, whose shipments go to China, and protested in front of Congress demanding an extension of the Integral Registry of Mining Formalization (Reinfo), which was established in 2017 with an expiration of December 31, 2024, for registration as formal miners.

Since 2017, there have been 90,265 registrations, but only 2,108 have been approved, which is 2.34 percent. This highlights the state's inability to meet the needs of its citizens. Cumbersome, bureaucratic governmental processes have made it nearly impossible for artisanal miners to fulfill the registration requirements. As a result of their mobilizations, Congress extended the deadline to an additional 6 to 12 months.

Most artisan miners come from peasant families who abandon their fields and livestock to pursue what the bourgeois press often labels "illegal mining." The press claims that the peasants, drawn by the lure of quick money from precarious mining, are contaminating the environment and becoming involved in sexual exploitation, child labor, and alcohol abuse.

However, the bourgeois press seldom addresses the question of why peasants decide to abandon their traditional way of life for the dangerous work of informal mining. This involves the grinding poverty confronting the bulk of Peru's rural population as well as the inability of peasants to access employment in the formal sector.

CADE 2024 focused on how crime impacts business owners, not on how it affects the working class and the urban poor. Felipe James, the president of the National Society of Industries (SIN), stated that "51 percent of industries have been victims of criminal acts, and 45 percent raise costs" to invest in personnel and security equipment.

Business leaders proposed a program combining military service with technical education for young people. This idea, presented initially by the pseudo-leftist former President Pedro Castillo to gain support from the armed forces, pretends to address the issue of *ninis*—an acronym referring to youth aged 14 to 29 who neither work nor study.

Undoubtedly, the costs of such a program will be born by the working class, while the armed forces absorb the undesirable *ninis* as soldiers and the mafia criminals with their connections to Congress and the police will go untouched.

Pollsters like Ipsos, aligned with the capitalist establishment, are likely to disregard statistics about crime victimization across different socioeconomic classes. Meanwhile, street crime in working class areas continues to escalate. *La República* reported 1,494 murders in 2023 and approximately 2,000 in 2024, a 34 percent increase.

With the failure of Peruvian capitalism and the government that defends it to provide decent jobs, quality education and proper nutrition, criminal organizations may seem for youth like a way out of poverty.

Extortion mafias and hitmen emerged in the late 1990s during

Alberto Fujimori's dictatorial regime. Their origins can be traced back to economic informality and lack of opportunities for youth, stemming from the atomization of the working class under Fujimori's Constitution of 1993.

Initially, gangs of youngsters in the northern city of Trujillo stole cars to sell for parts, but they soon discovered contacting owners and selling their vehicles back to them was more profitable. As they grew more sophisticated, they formed alliances with more prominent criminals and began using threats of kidnapping to enforce compliance, marking their evolution into extortion mafias. Hitmen were initially used in territorial wars between mafias.

By the 2000s, these gangs expanded to other cities, targeting sectors of the working class and MYPES and eventually becoming a threat to corporations. Conspicuously, passing as trade unions, the mafias began asking construction companies for 1 percent to 2 percent of the construction budget. Their operations became highly organized and protected from legal repercussions by lawmakers, judges and police.

Due to the prevailing ungovernability in Peruvian cities, many store owners, beauty salons, and small-bus drivers have sought protection from organized crime, finding it cheaper to ask for assistance than to face violence.

The shift of youth gangs stealing cars to full blown extortionist mafias is linked to a 75 percent rate of informal employment and policies pushing unemployed workers into the unstable future of becoming small entrepreneurs.

The impact of rising crime, and in particular the actions of the extortionist mafias against the working class, have sparked a series of mass protests and strikes led by transport workers and owners of small transportation companies. The prevailing political confusion, rooted in the multi-class character of these actions, has prevented them from raising a program aimed at the root cause of crime: the vast chasm separating the working class and other oppressed layers from Peru's ruling class and the privileged upper-middle class.

For the big business representatives gathered at the CADE-2024 conference, the concern is that these protests are the harbinger of a mass revolt against the intolerable levels of social inequality and exploitation endemic to Peruvian capitalism.

There is no national solution to these problem. The worsening economic climate and the increasing deprivation of the working class have their roots in a global crisis of capitalism that is dragging humanity to the brink of a third world war. While the bankrupt union bureaucracies and pseudo-lefts demand greater action by the police, courts and military, workers must fight for the dismantling of the corrupt capitalist state and for placing the main corporations, mines and resources under the control of the working class as part of a socialist reorganization internationally.



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