Wall Street embraces Humala's "left" government in Peru

By Armando Cruz
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A recent article published by Bloomberg News, which classifies Peru as "the fastest-growing corporate bond market in Latin America," promotes the Latin American country as one of the safest places to invest in the region. The article also stresses that the economic measures carried out by the supposedly left nationalist government of Ollanta Humala, who won the presidency in 2011 promising to battle "neo-liberalism," have placed him to the right of his predecessors, who instituted and perpetuated this policy.

Headlined "Wall Street Wowed by Ex-Chavez Ally as Sales Surge," the article deals mainly with the issuance of bonds by Peruvian corporations through such US financial firms as Bank of America, JPMorgan and Goldman Sachs.

According to another article published by Bloomberg Markets, Peru ranks as the fourth-best "emerging" country in the world for investment—trailing only China, South Korea and Thailand—and is rated first in Latin America. Foreign direct investment rose to $12 billion last year.

"Peru has been a major focus for us lately," Augusto Urmeneta, the head of debt capital markets for Latin America at Bank of America, told Bloomberg. "We've seen strong issuance out of the country due to low borrowing costs and investors' appreciation for the country's favorable economic position."

The country's "favorable economic position" is attributed in part by Bloomberg to Humala—described as "the one-time ally" of Venezuela's Hugo Chavez—"winning over Wall Street as he contains public spending and lines up record investment in mining and energy."

The principal reason for Peru's economic growth, however, lies not with the right-wing policies of the government, but rather the demands of the worldwide markets. Peru, one of the principal exporters of metals—copper, zinc and gold—has directly benefited from the enormous demand for these raw materials, particularly from China, and the high prices they are now commanding on the world market.

The country's entire economic history is replete with similar "bonanza cycles" in which various raw materials ranging from guano to saltpeter, rubber, oil and fishmeal were intensely exploited to satisfy worldwide demand. In virtually every instance, a period of economic decline set in once the bonanza came to an end.

Today, economists have grown tired of repeating the warning that if there is no turn from the raw materials export model, when mineral prices fall and Chinese demand declines, the country will pay the consequences with recession and currency devaluations.

The Bloomberg article mentions another point that draws investors to the country. "Peru is seen as a politically stable country with elevated growth, one with a good long-term outlook," Persio Morassutti, head of finances for the Peruvian mining firm Milpo told the news agency.

The Humala government's "secret" for imposing "political stability" lies not in its reactionary social and economic policies, but rather in the complete absence of any viable political opposition on the left prepared to defy the ex-military officer. Gana Peru, the name of Humala's coalition, which defeated the even more right-wing candidate Keiko Fujimori in 2011, drew into its orbit virtually all the significant forces of Peru's pseudo-left, the major unions, the Stalinists and the so-called defense fronts in the provinces.

After the first year of the Humala government, with the illusions promoted in the working class about him carrying out a "great transformation" dashed, these forces found themselves obliged to make occasional criticisms of his administration, while they bolstered the government by fostering the illusion that Humala "could still change.”

The role of the unions has been particularly slavish. Within weeks of Humala’s victory, the leadership of the CGTP (General Confederation of Workers of Peru) organized for the first time in decades a march in Lima in support of the government. With every development of political crisis and social struggle, the confederation’s leadership has shielded Humala, making it explicitly clear that it was not attacking or blaming the president himself, but rather his “ministers” and other government officials.

But the “stability” that this servile and opportunist role of the pseudo-left and the unions has engendered has an illusory character. During its first year in power, the Humala government confronted the crisis of the so-called social conflicts. In the province of Cajamarca, villagers rose up against a mining mega-project that would have drained four lakes. Anxious to demonstrate its true colors to international capital, Humala, with the aid of Yanacocha, the owner of the project, deployed the army and placed various towns in the region under martial law on different occasions. A similar conflict erupted in Espinar, Cuzco, over the contamination of land by the mining giant Xstrata. Humala repeated the same pattern, imposing a “state of emergency” on the area and sending in thousands of police.

The two uprisings resulted in dozens of deaths of demonstrators and a collapse in the approval rating of the president. Nonetheless, the leaderships of these struggles abstained from entering into a direct political confrontation with the president and sowed illusions this time in the “radical wing” of the government, which in turn made it clear that there was no option other than “pressuring” Humala.

Recently, the government attempted to confront similar conflicts in a different manner. Last year, it approved the so-called Prior Consultation Law, in formal compliance with the International Labor Organization’s Convention 169, which stipulates that indigenous communities have the right to “decide their own priorities for the process of development…and to exercise control over their economic, social and cultural development.”

In the Andean towns of San Juan de Cañaris in Chiclayo and Quiruvilca in La Libertad, the Candente Cooper and Barrick corporations, respectively, found themselves obliged to sit down in dialogues on environmental damage with leaders of communities that fear the effects of contamination resulting from mining. When the dialogue fails, those who have made it clear that they do not want the corporations in their towns resume their revolt. In Cañaris, confrontations have already left two dead and a number of people wounded.

A recent article in *Gestión*, Peru’s main economic daily, indicates the dissatisfaction of the business sector with the government’s handling of these social conflicts, with 87 percent of those polled classifying it as “deficient.” It mentions the growing corporate discontent with “excessive red tape [in the prior consultations] that is holding up mining, oil and gas investment.” The article concludes that, as a result, “private investment is beginning to show slower growth.”

The Humala government has shown that it is getting the message. Faced with a fall in metal prices and economic slowdown in both China and Europe, the government announced the waiver of the prior consultation requirement in relation to 14 mining exploration projects.

The government has advanced the ingenious argument that the Andean *quechua* communities, where most of the mining projects are located, are not really “indigenous.”

“In the Andean lands, there are principally agricultural communities…the indigenous communities are in their majority in the jungle,” Humala announced in a recent television interview.” He added that the “spirit of the law” was to “give a voice to those that did not have one.” As most of the Andean communities had some form of official, such as a mayor, he reasoned, they did not need the right to prior consultation before their lands were taken over and exploited by mining companies.

Humala’s minister of energy and mines, Jorge Merino, put it more succinctly. “We have to continue being competitive; if not, we will see the investments go some place else.”