

Pedro Castillo and the Failure of Neoliberalism in Peru

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With the slogan “No poor people in a wealthy country”, Pedro Castillo, a poor, indigenous peasant farmer, elementary school teacher, and union leader, became president of Peru on July 28. Castillo was the candidate of Peru Libre (Free Peru), a Marxist-Leninist party. Castillo’s victory is unprecedented in Peru’s 200-year history. As he emphasized in his inaugural speech, “It is the first time that this country will be governed by a peasant.” Professor Cecilia Méndez, a Peruvian historian at the University of California-Santa Barbara, adds: “There are no cases of a person unrelated to the professional, military or economic elites [of Peru] who reaches the presidency.”

Castillo has never held political office and is known mainly for the teachers’ strike he led in 2017. He won the election by a razor-thin margin of 44,000 votes (less than 1%), beating his rich and powerful right-wing opponent, Keiko Fujimori, the epitome of “entrenched privilege.” Fujimori is the daughter of former President Alberto Fujimori (1990-2000), a disgraced dictator who is serving a 25-year jail sentence for corruption, kidnapping, and murder committed by death squads under his command. His regime also sterilized more than 270,000 women, most of them Indigenous. Keiko Fujimori disputed the July election results, claiming fraud, but could provide no evidence. After a six-week investigation, the election authorities rejected her complaint.

Like her father, Keiko is tainted by corruption and is being prosecuted for money laundering and running a criminal organization. If convicted, she also faces a long prison sentence. Becoming president would have given her respite from prosecution for five years.

Peruvian journalist and sociologist Francesca Emanuele tells me that Castillo’s election is a result of the crisis of neoliberalism in Peru. Emanuele is a columnist for *Wayka*, a progressive publication in Peru and was an observer of Peru’s election. She has also been a correspondent for Telesur. Emanuele points out that the crisis of neoliberalism is a regional phenomenon: the massive inequality, poverty and concentration of wealth produced by this economic model are driving the two leading neoliberal states of Latin America, Chile, and Peru, to the left. Leftist parties are currently writing a new progressive constitution for Chile.

Although Peru is the world's second-largest copper producer, one-third of its population lives in poverty and has little access to health and education services. The richest fifth takes half the country's income and the poorest fifth gets less than 5%. The wealthy tend to be concentrated in coastal cities such as the capital, Lima, while rural areas and northern regions such as Cajamarca (where Castillo comes from) wallow in poverty. In San Luis de Puna, Castillo's village, 40% of the children are "chronically malnourished."

Neoliberalism has given rise to intersecting crises in Peru and created a perfect storm of political destabilization, discrediting the country's elite and opening the way for Castillo. As Emanuele explains, "Peru is in deep economic and health crises and has been dragging itself through a state of political instability for decades." The fourth crisis is that of constant corruption scandals that have ensnared not only the two Fujimoris, but all presidents ruling Peru since 1985, two-thirds of Congress representatives (who have been indicted), and judicial officials. Alan Garcia, one former chief executive, committed suicide when faced with arrest.

Peru has had five presidents in the past five years and, in November 2020, three in one week. Combine all this with the COVID-19 pandemic, and the result is disastrous. Peru has the highest per-capita death rate globally from the coronavirus, partly due to neoliberalism's failure to build an adequate health system. More than a million Peruvians out of a population of 32 million have been infected with COVID-19, and about 50,000 have died from it. In 2020, the economy contracted by an astounding 11.6% as the virus raged, and 6.7 million people lost their jobs.

Instead of ensuring fair public distribution of vaccines for COVID, government officials created another major scandal in March 2021 by jumping the queue to get the vaccines for themselves. About 500 people did this, using their influence as former presidents, vice-presidents, ministers, and vice-ministers, thereby eliciting public outrage.

Castillo started his election campaign by calling for the nationalization of mining companies and gas corporations in Peru. Later, he changed his stance to increasing taxes on the companies, regulating them (partly to ensure strict environmental standards), and renegotiating their contracts to fund expanded health and education facilities for the poor. He also plans to hold a constituent assembly to replace ex-President Fujimori's dictatorial Peruvian constitution with one that empowers the poor and creates a political basis for implementing progressive policies.

How much of the neoliberal model can Castillo change? His objectives don't look very radical, but his approach still may not work, warns Alexander Main, Director of International Policy at the Washington D.C.-based Center for Economic and Policy Research (CEPR).

"Currently, it appears likely that Castillo will choose, at least initially, to pursue a relatively moderate progressive agenda to try to ensure his political survival," says Main. "Given the widespread rejection of politics as usual in Peru, this strategy could end up backfiring."

"The most likely scenario for Peru is to see a progressive shift away from neoliberal agendas rather than the sort of dramatic ruptures with policy paradigms that were observed in the first decade of the 21st century in countries like Venezuela, Bolivia, and Ecuador," adds Main. "A partial re-orientation of social and economic agendas such as what was seen in Brazil under Workers Party administrations seems more likely."

Castillo's tempering of his radicalism is also partly explained by the fact that the right-wing opposition has a majority in the Peruvian Congress. For Main this means that "it remains to be seen whether Castillo will be able to effectively govern the country or even stay in power for very long."

Main doesn't think Castillo will be able to attain his constituent assembly partly because of the opposition of elites who control Peru's economy "and seem prepared to carry out economic destabilization tactics" against their new president. Emanuele also warns of this economic danger by pointing out how concentrated corporate power is in Peru, which is "plagued by both monopolies and oligopolies." One brand, Backus, controls 99% of beer sales, the Intercop company owns 83% of all pharmacies, and EL Comercio controls 78% of the printmedia (20 newspapers and magazines).

Castillo wants to regulate large corporations in Peru, but according to Emanuele, these companies "could take revenge and manipulate prices if Castillo implements measures to limit their oligopolies. A price war induced by these companies could lead to an economic crisis, people in the streets, instability and a possible overthrow of the government."

Main is optimistic that Castillo can most likely make a significant difference, in the foreign policy arena: "Peru and Chile could, for the first time, play a proactive role in reviving the regional integration efforts that were pursued at the height of the 'pink tide' period [in the late 2000s and early 2010s] and developing a common front with other left governments in opposing much of the U.S. political, military and economic agenda in Latin America."

Such a policy direction would include withdrawing Peru from the sinister Lima Group, the alliance of right-wing Latin American states and Canada, which is aimed at overthrowing and undermining leftist governments in the region, especially that of Venezuela. The Lima Group is comprised of 10 countries including Colombia, Brazil, Costa Rica, and Paraguay. Castillo has pledged to remove Peru from the Lima Group.

This would be a welcome setback for Canada's destructive policy in Latin America, as would Castillo's plans to regulate Canadian mining companies in Peru, which are the third-largest investors in the sector after China and Britain. The main companies are Barrick Gold, Teck, Pan American Silver, Iberian Minerals, Fortuna, and Málaga. Canadian mining companies are notorious for damaging communities and the environment all over the world, and they have a bad reputation in Peru as well. In a story in the June issue of *Canadian Dimension* magazine, Owen Schalk noted that "Barrick Gold's Lagunas Norte project (which it sold to a Singaporean company earlier this year) faced significant criticism for its atrocious environmental and labour practices in Peru." The company had frequent conflicts with the local people about water pollution and with their own workers on labour rights. Barrick was also sued by the people of El Sauco, Quiruvilca, "who wanted the company to pay indemnifications for its pollution of nearby water sources."

Castillo's determination to make mining companies pay more and meet high environmental standards will most likely bring him into conflict with both the Canadian and U.S. governments, which will probably collaborate with the discredited Peruvian elite to try to overthrow him. Whether Castillo succeeds or not in the long run, his election has already shown the utter failure of neoliberalism in Peru and highlighted this tendency for the region as well. This failure is so massive that it has drowned the economic, political, and health systems of Peru in a cesspool of corruption. If Castillo is not allowed to save Peru, it is unlikely that anyone else can.

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