

# The Mining Vote in the 2021 Peruvian Election

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The 2021 general election in Peru was one of the most contentious in recent memory. In the first round, on April 11, voters expressed disapproval of the political class as whole. With the highest COVID-19 mortality rate in the world and an 11 percent economic contraction in 2020, it was perhaps unsurprising that no candidate exceeded the number of blank and spoiled ballots. *Que se vayan todos* was the resounding message—out with them all! The most successful candidate was Pedro Castillo, who won 19 percent of the valid votes cast, followed by Keiko Fujimori with 13 percent. The remaining votes were distributed among 16 unsuccessful candidates, including, on the right, Rafael López Aliaga and Hernando de Soto; on the left, Verónica Mendoza; and in the center, Yonhy Lescano.

A runoff between front-runners Castillo and Fujimori was scheduled for June 6, 2021. For the two-thirds of the electorate who did not vote for these candidates in the first round, the choice was stark and difficult. The presidential and congressional election results showed that the median Peruvian voter leaned right, making Castillo unpalatable. Yet Fujimori was unacceptable to many voters, both because of her association with the authoritarian regime of her imprisoned father, Alberto Fujimori (1990–2000), and her own history of undermining and obstructing previous democratic governments.

Pedro Castillo won the runoff by an exceptionally narrow margin, 50.1 percent, and was declared president only after the National Election Board dismissed a flurry of challenges from Fujimori's legal team involving baseless allegations of fraud and other irregularities. The geography of the vote revealed a country deeply divided along

regional lines, with Castillo winning overwhelming support in the highlands, especially the south, and Fujimori carrying Lima and the coast, especially the north. One reason for Castillo's success appears to have been his position on mining.

Castillo performed well in the *corredor minero del sur*, or southern mining corridor, which includes three major regions: Cusco, Arequipa, and Apurímac. This was a crucial battleground for both candidates. Having lost in these regions during her previous two presidential bids, Fujimori made a radical proposal in 2021: to redistribute mining revenues directly to voters. Pedro Castillo proposed a change in the distribution of mining revenue at the state level, whereby only 30 percent of would be pocketed by the company and 70 percent would be used by the Peruvian government to fund development programs.

Despite Fujimori's populist appeal, voters in mining areas overwhelmingly favored Castillo at the polls. Given Castillo's narrow margin of victory, Fujimori's inability to sway voters in the mining corridor likely cost her the election. Why did Fujimori's proposal fail to win over the mining vote? To answer this, we look at the political economy of mining and the campaign strategies of the candidates.

## Mining in Peru

Mining has long been the basis of Peru's political economy. Even after the commodity boom of 2009–2013 came to an end, mining remained one of the most important economic activities in the country in terms of both tax revenue and exports, and it has consistently been the leading sector in foreign direct investment, accounting

for 23 percent of it. In 2020, mining investment contributed US\$4.3 billion, exceeding their annual goal by 3 percent despite the COVID-19 pandemic (MINEM 2021a). Additional mining projects have been inaugurated in recent years, and revenue from mining is expected to continue growing despite the pandemic.

While the economic and political establishment promotes mining investment with a new rhetoric of environmentally and socially responsible mining (Himley 2014), citizens living in close proximity to mining sites have continued to challenge the expansion of the industry. The Defensoría del Pueblo (Ombudsman Office) recorded 1,460 conflicts around mining in the period 2008–2019, with over 37 percent of them classified as episodes of violence.<sup>1</sup>

The pandemic did not disrupt this trend of mining expansion and conflict. Initially, as part of the government's COVID-19 response, mining projects were ordered to stop all activity. However, large-scale mining was quickly exempted from quarantine measures (Vila Benites and Bebbington 2020), and the Ministry of Energy and Mining announced that the nation's mining portfolio includes over 60 projects that amount to over US\$500 million in investment (MINEM 2021b). After mining activities were restored, the rate of social conflict returned to its former levels. In 2019, the Defensoría del Pueblo recorded 59 active conflicts associated with mining activities a month, with a majority concentrated in the Andean highlands of the country. In July 2021, the same office recorded 60 active mining conflicts.<sup>2</sup>

Mining conflicts are rooted in demands for the economic redistribution of benefits and concerns about environmental impacts. Citizens living in areas of oil and mining projects are exposed to the externalities of extraction such as increases

in local poverty levels (Cust and Poelhekke 2015), environmental degradation (Eisenstadt and West 2017), and social fragmentation (Svampa 2019). Citizens mobilize around these issues through coordinated networks involving cooperation among local community members, but protest usually remains localized because the communities are isolated from neighboring localities with similar problems (Paredes 2016).

As part of a new approach to mining, the Peruvian state has implemented measures for social and environmental regulation such as the prior, free, and informed consent processes for Indigenous peoples<sup>3</sup> and community participation in the Environmental Impact Assessment (EIA) process.<sup>4</sup> Due to the asymmetric relationship between state corporations and the communities and the limits of enforceability of agreements (Flemmer and Schilling-Vacaflor 2016), however, these participatory spaces have had little impact on the rate of social mobilization around mining extraction in the country. Moreover, although the rhetoric around the new mining policies emphasizes the peaceful resolution of conflicts, in some cases the state has been quick to respond with the use of violent repression to guarantee the continuation of mining operations (Taylor and Bonner 2017). The limited capacity of governments, from both left and right, to address the demands of citizens living in mining areas (Riofrancos, in this issue) has hurt the legitimacy of the state and the political class.

### The Competition for Mining Votes

Presidential candidates have appealed to voters in mining areas proposing new schemes of revenue redistribution as well as stricter requirements for environmental and social protection. A month before the first-round vote, Castillo barely registered in the polls. The then front-runner,

<sup>1</sup> Defensoría del Pueblo, Base de Datos de Conflictos Sociales, respuesta a solicitud de acceso a la información pública, 2019.

<sup>2</sup> Defensoría del Pueblo, *Reporte de conflictos sociales, no. 209*, July 2021, <https://www.defensoria.gob.pe/wp-content/uploads/2021/08/Reporte-Mensual-de-Conflictos-Sociales-Nº-209-julio-2021.pdf>.

<sup>3</sup> These are implemented under the "Prior Consultation Law." See "Consulta Previa," Ministerio de Cultura, <https://consultaprevia.cultura.gob.pe/>.

<sup>4</sup> Implemented under Law for the National System of Environmental Evaluation. See "Participación ciudadana en los estudios de impacto ambiental," ESAN, December 16, 2020, <https://www.esan.edu.pe/apuntes-empresariales/2020/12/participacion-ciudadana-en-los-estudios-de-impacto-ambiental/>.

Yonhy Lescano, a law professor and former member of congress who represented Puno in the southern highlands for the center-right Acción Popular party, advocated for a greater share of mining revenue to go to the state. He proposed a 50–50 profit-sharing arrangement, which shows that the idea of demanding more from mining companies had begun to become part of mainstream political discourse (Wyss 2021).<sup>5</sup> Veronika Mendoza, a former congresswoman from Cusco and presidential candidate from a left-wing party, also campaigned in favor of reducing economic dependency on mining and strengthening the institutions in charge of environmental regulation.

Castillo outperformed Lescano in the mining regions. During the campaign, he was sharply critical of large mining companies and the failure of the national state to contribute to the development of mining communities. He claimed that the state, supported by higher taxes, could assume a more central role in the development of rural regions. Bolivia was held up as evidence that this change would not necessarily lead to a loss of investment. His proposals highlighted the role of binding consultation processes, whereby communities would be given the ability to veto the development of mining investment in their territory. In areas where social conflict has halted mining expansion, Castillo was also the favorite with over 40 percent of the votes in the first round, and social leaders recognized that Castillo's proposals around mining were crucial in mobilizing voters in these regions.<sup>6</sup>

Polls published immediately after the first round showed Castillo with an ample lead over Fujimori (Ipsos 2021). Voters were receptive to his slogan: "no more poor people in a rich country." Finding herself in competition with a radical left-wing candidate promising significant redistributive

reforms, Fujimori was compelled to pivot with her own message. She argued that the main obstacle to development was subnational corruption, and she pointed her finger at subnational authorities who misused the mining *canon* (a term used to refer to the system for distributing mining royalties to subnational authorities). As an alternative, she proposed to create a program for the direct transfers of benefits to the families living in close geographical proximity to mining projects.

Fujimori's strategy of blaming governors and local authorities for bad management of *canon* resources may have misfired. First, by blaming lack of development on corruption at the subnational level, she let the mining industry itself off the hook. Yet many companies are the focus of anger and resentment among local communities due to environmental destruction and wealth accumulation in the midst of desperate poverty. In the LAPOP 2018 survey, 20 percent of Peruvian respondents indicated that extractive industries, including mining companies, are the main source of environmental pollution in the country. Her proposal of revenue redistribution was isolated from her larger agenda of promoting mining investment, even for projects that had halted due to social conflict.<sup>7</sup>

Second, although corruption is notorious among local mayors and governors, it is not clear that citizens blame them for underdevelopment in mining areas. Subnational authorities do, however, manage resources on which some segments of the population depend and are usually considered allies when mining conflict erupts.

Third, Fujimori's strategy focused on the communities' economic grievances but did not propose to increase the takings of the state from the companies, and discounted the

<sup>5</sup> Jim Wyss, "Companies Keep Too Much of Peru's Metal Wealth, Top Candidate Says," *Bloomberg*, March 24, 2021, <https://www.bloomberg.com/news/articles/2021-03-24/companies-keep-too-much-of-peru-metal-wealth-top-candidate-says>.

<sup>6</sup> See interviews in "¿Por qué Pedro Castillo ganó en provincias donde rechazan los proyectos Río Blanco, Conga y Tía María?," *Red Muqui*, April 15, 2021, <https://muqui.org/noticias/por-que-pedro-castillo-gano-en-provincias-donde-rechazan-los-proyectos-rio-blanco-conga-y-tia-maria/>.

<sup>7</sup> See "Rómulo Mucho, del equipo técnico de Fuerza Popular: Proyectos mineros de Conga y Tía María 'deberían ir,'" *RPP Noticias*, May 19, 2021, <https://rpp.pe/politica/elecciones/romulo-mucho-del-equipo-tecnico-de-fuerza-popular-proyectos-mineros-de-conga-y-tia-maria-deberian-ir-noticia-1337644>.

environmental concerns that mobilize voters in these areas. The direct redistribution of mining revenues would increase voters' purchasing power but would not change the relationship between state, mining companies, and communities. If anything, the proposal would further weaken the role of the state in areas where its capacity was already limited.

In contrast, Castillo's proposals aligned with the social dynamics of organization in mining regions by focusing on the corporations and the state, as well as highlighting the role of communities in local investment decisions. These ambitious proposals attracted voters not only because Castillo fit the profile of the typical outsider politician, but also because his candidacy had the support of social organizations such as the *rondas campesinas* (peasant self-defense organizations) and the teachers' unions. Given his past as a grassroots leader, voters might have been more willing to trust his proposals to reshape the model of extractivism that has excluded or neglected mining communities. In mining regions, candidates with similar profiles, such as Ollanta Humala in 2011 and Veronika Mendoza in 2016, have been favored during presidential elections, and others have reached subnational office, such as Oscar Mollohuanca in Espinar, Cusco, and Walter Aduviri in Puno.<sup>8</sup>

Rural voters identified Fujimori with the establishment, despite her best efforts to distance herself from it—and indeed, implausibly, to claim that Castillo represented both communism and continuity with the past. Consequently, the proposal for direct cash transfers was either discounted as lacking credibility, or was not seen as addressing the main grievances of the population—for example, the need for better environment protection and sustainable growth in peasant communities. Castillo, by contrast, presented himself as an outsider challenging the establishment on behalf of the marginalized communities of the highlands, of which he was a

member. He was perceived by these communities as more trustworthy, less corrupt, and perhaps more accountable to his electoral base.

### What Should We Expect from Castillo?

In a word, uncertainty. While Castillo secured over 65 percent of the vote in mining regions during the second round, the government has yet to execute the new taxation scheme to large mining. So far, there is no clear plan for implementing the commitments he made to Indigenous people and environmentalist groups during the campaign. His newly appointed minister of Energy and Mines, Ivan Merino, a member of Peru Libre, has introduced the concept of “social profitability,” but it is unclear what this means for the mining industry.

In his inaugural presidential address, Castillo referred to the importance of the role of the state in securing socially responsible mining and ensuring communities are in charge of their own destiny. Guido Bellido, Castillo's first chief of the cabinet, indicated that, although he would respect private investment, he wanted greater state involvement in energy projects, including gas and hydro. This potentially had implications for the Camisea gas project, led by a consortium of foreign companies. Bellido was shuffled from the cabinet in early October and replaced by Mirtha Vásquez, in what was generally interpreted as a shift to the center.

The mining industry is concerned with the possibility of new taxes. Roque Benavides, the president of the Buenaventura Mining Company and one of the leaders in the mining sector, has been open to dialogue with Castillo. Benavides has stated that political stability during Castillo's presidency is important for the economic future of the country. Since mining companies tend to have long time horizons, and with copper prices at an all-time high, it may be possible for Castillo to negotiate an arrangement with this fraction of

<sup>8</sup> Once in office, Castillo assiduously cultivated the support of mayors and governors perhaps in the hope of counterbalancing the relentless hostility of political elites in Lima and to secure his image as one close to “the people.” See “Pedro Castillo convoca a gobernadores y alcaldes y afirma que será “el primero en sancionar” a quien robe,” *Gestión*, July 29, 2021, <https://gestion.pe/peru/politica/pedro-castillo-convoca-a-gobernadores-y-alcaldes-y-afirma-que-sera-el-primero-en-sancionar-a-quien-robe-un-centavo-nndc-noticia/>.

Peru's business class on the understanding that, in return for cashing in on another bonanza, the state takes a larger share of the revenue. Other segments of the business community remained implacably opposed to the Castillo government.

## Conclusion

Is Peru about to embark on a radical change in the role of mining in the prevailing economic model? Is there enough popular support for such a change? On this point, we are cautious. The government is highly precarious, lacking in support from Congress, and it faces enormous political resistance from powerful economic groups and the media. Moreover, the public is divided. The election could have had a very different outcome. Had Lescano held his lead for a few more weeks, for example, the second round could well have produced a mandate for a centrist government willing to renegotiate terms of investment with mining and gas companies but without challenging the economic model.

At the same time, the election revealed that Peru remains deeply divided along rural-urban and north-south lines. The current neoliberal economic model has failed to generate sustainable and shared prosperity. The degree to which it has also left most Peruvians vulnerable has been dramatically underscored by the pandemic and its economic consequences. It is unsurprising that the mining industry, which has emerged largely intact, has become the focus of attention as Peruvians struggle with how to pay for needed and long-postponed reforms in health care, education, and local development.

Whether the Castillo government can survive long enough to pose a credible alternative to the current development model is unclear. Even less clear is how, as an instance of the left in power, it will manage the inevitable tensions between resource development and post-extractivism (Riofrancos 2020). The idea of *buen vivir*, or living well, evoked by Pedro Francke when he was sworn in as the economy minister, has come to symbolize a desire for a new relationship with the Earth, which can conflict with the need to reduce poverty through industrialization.

This tension was present in the decisions of the Bolivian government of Evo Morales as it grappled with road construction through the TIPNIS national park, and in the struggle over oil extraction in the Yasuni National Park during the government of Rafael Correa in Ecuador. Indeed, the left presented two options in the recent election in Ecuador, one of which was of a developmentalist orientation, the other an advocate of Indigenous rights.

The primary focus of the Castillo government during its first months will be addressing the pandemic and surviving in the short term in the face of a strident and increasingly authoritarian, indeed Trumpian, right-wing opposition. If it manages to survive, rents from mining, at the least, will be necessary to pay for its ambitious social policies.

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