



## Will Pedro Castillo nationalise the mines?

by Andrew Thompson

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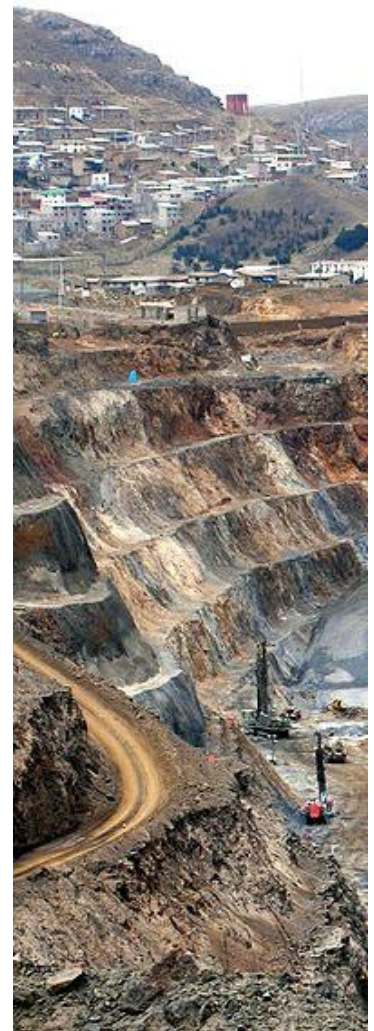
### What happened?

Left winger Pedro Castillo, front runner in the race to win the second round of Peru's presidential elections due on 6 June, has called on the unsuccessful candidates to "sit down and talk" about economic policy.

### The details

A political dance has begun in Peru, likely to have a deep impact on the mining industry and on other key sectors of the economy. At its centre is Pedro Castillo, the far-left candidate who has spoken of nationalising gold, silver, uranium, copper and lithium mining operations to transfer wealth to help the poor. He has also talked about nationalising the Camisea natural gas fields. Off to one side is his right-wing second round rival, Keiko Fujimori, who prefers a market economy but has been linked to authoritarianism and allegations of corruption. In theory, both must appeal to the political centre ground to be able to win. Castillo appears to have the advantage with an Ipsos poll giving him 42%, ahead of Fujimori's 31% support.

Some leftist Peruvian presidential candidates have, on taking office, swung to the centre or even the right. The most recent example was Ollanta Humala (2011-2016). Will Castillo do the same, moderating his mining policies to attract floating voters? It is still too early to tell, but there are some interesting and conflicting signals. Roque Benavides, chairman of Peruvian mining company Buenaventura says, "Castillo is not moderating his positions at all, and it seems he won't do so." But in almost direct contradiction Ana María Cordova, legal representative of Castillo's party, Peru Libre, told Bloomberg news agency that he wants to attract foreign investment, isn't planning



nationalisations or expropriations at all, but instead wants to negotiate a bigger share of profits for the state, so as to help poor communities.

The reality is that some kind of negotiation will have to take place. Luis Rivera, an executive at Gold Fields Ltd, says “It is not like this is going to be an apocalypse”. Victor Gobitz of the Peruvian Institute of Mining Engineers (IIMP) says “we hope that soapbox speeches seeking votes soften a little and that reflection comes”. Preliminary congressional results suggest that Peru Libre will gain 32 of the 130 congressional seats, well short of a majority. To get any legislation approved it will therefore need to form cross-party alliances. There is little chance of such a coalition backing extreme nationalisation. More likely will be some kind of compromise over mining royalties. Also possible is a negative outcome where a congressional deadlock creates repeated political crises (rather like the story of the last five years).

## What does it mean?

The mining industry represents around 4% of GDP; there are 607 active mines in the country; rising copper prices could help boost post-COVID economic recovery. The future of Peru’s economic development “model” is at stake.

### About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC’s Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



These stories are also available on Andrew’s blog site, [La Rambla Research](#).