

Another Peru Seizure

But Nationalization of U.S. Mining Company Land Causes No Great Stir Among Foreign Investors

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LIMA, Nov. 9 — Peru's military regime announced this week that it plans to nationalize more than 600,000 acres of farmland belonging to a U.S. mining firm, the Cerro de Pasco Corp.

Agriculture Minister Gen. Jose Benavides said the land, located near Cerro's mining operations in the central Peruvian highlands, would be turned over to the National Agrarian Reform Office for transformation into peasant cooperatives.

His statement came a month after the regime, which took power in an Oct. 3 military coup, had expropriated the principal assets of the International Petroleum Co., also owned by U.S. citizens.

The armed forces justified the coup on the grounds that the ousted civilian government had betrayed the national interest through its dealings with IPC. That seizure gave rise to speculation that President Gen. Juan Velasco Alvarado was under the influence of elements hostile to the big U.S. companies operating here.

But the junta, aware that improvement of Peru's depressed fiscal condition can depend on increasing mineral exports, has emphasized that IPC represented a "special case."

Then, just as foreign investors were recovering from their initial fright, Benavides announced the Cerro expropriation. But among businessmen familiar with the Peruvian scene, it has not caused much stir.

Nationalist Motive

As was the case with IPC, Cerro de Pasco's farming activities had long been the target of nationalistic attacks. There is little question that

the Velasco regime's latest takeover move was yet another bid for nationalist support.

In other ways though, the two cases are different. IPC lost assets of such magnitude that the company virtually ceased to exist. Cerro's farm activities were a sideline, and their loss will not directly affect its mining activities.

Then too, because of the whopping back tax and illegal enrichment claims entered against IPC, there is little likelihood that the company will ever get a penny in compensa-

tion for lost assets. Cerro is to be paid the full compensation prescribed by the agrarian-reform law.

Finally, the legal move to take the Cerro lands began three years ago under ousted President Fernando Belaunde Terry. The Velasco government can say it is simply carrying out a previous process.

The Land at Issue

The 600,000 acres are in the Indian-populated highlands where Cerro de Pasco mines zinc, copper, lead and silver.

The New York-based firm got into the farming business during the 1920s because toxic fumes from its smelter had a deadly effect on nearby plant and animal life. Because so much surrounding land was rendered unusable, the company began compensating affected farmers by buying their holdings — at prices that Cerro's critics claim were well below the original value of the land.

By 1942, the noxious fumes had been eliminated by the installation of screening devices. Land acquisitions had grown into a vast sheep- and cattle-breeding operation managed by a Cerro subsidiary.

Today, these activities have gained fame among livestock breeders for efficient breeding techniques in an unfavorable environment. Although Cerro sells some of the production, its farming activities are not regarded as a money-making venture.

Instead, the main purpose is

to use the 150,000 sheep and 2000 beef cattle as a source of cheap meat for the 15,000 employes of the mines. The company contends it is advancing the welfare of its workers by providing nutritious food at low prices.

To others, the Cerro livestock operation is a gigantic "company store" that helps keep cheap labor available. These critics also charge Cerro with using the land as a prestigious showcase employing only 300 farm workers while more than 10,000 peasant families in the region do not have sufficient land for their own subsistence.

Such charges made the Cerro estates a prime target for nationalists. In 1965, the Belaunde government instituted proceedings to take the land for agrarian reform.

Legal Snarl

Cerro fought back, contending that it was being penalized because of its foreign ownership. The result was a legal snarl.

Some sources charged that company officials bribed officials to block the final expropriation decree. None of these charges was ever proved. Just before the coup, Cerro was negotiating a compromise settlement that would have allowed it to retain a small piece of the land for farming.

Now, all that has been swept aside by the new military regime's decision. Benavides did not, however, spell out when the takeover actually would occur.