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Peru: Country Overview and U.S. Relations

Peru is a geographically and ethnically diverse country of 34 million inhabitants encompassing large portions of the Amazon Basin, the Andean highlands, and the Pacific coast of South America. Since the early 2000s, Peru has sustained its democratic institutions and outpaced its neighbors in terms of economic growth while reducing poverty and improving security. Some observers argue that endemic corruption and a growing center-periphery divide threaten the future of democracy in Peru. Political instability also appears to be dampening economic growth prospects. The United States works closely with Peru to stem narcotics-related transnational crime, promote bilateral trade and sustainable livelihoods for Peruvians, and advance shared democratic values. Members of Congress may consider U.S. options to further strengthen bilateral ties, support Peru's democratic institutions and anti-corruption capacity, reduce rural healthcare and nutritional deficits, and counter China's growing influence in the economy.

Political Situation

Peru's 1993 constitution, written under the authoritarian government of President Alberto Fujimori (1990-2000), established a representative form of government with independent executive, legislative, and judicial branches. Political and economic power historically have been concentrated in the coastal capital of Lima, fueling resentment among the country's interior and Andean populations. These groups assert they are excluded from decisionmaking with respect to how the wealth generated by the country's export-led economy is distributed.

In recent years, Peruvian politics has been shaped by ideologically charged debates over the distribution of proceeds from the lucrative mining sector, representation of rural and Indigenous communities in national politics, and the legacy of the authoritarian Fujimori years. Frequent presidential corruption scandals have shaken public trust in Peru's political leadership. The 130-member unicameral congress is highly fragmented, and political party affiliations are fluid, complicating Peruvian presidents' efforts to build governing coalitions. The constitution's low bar to impeachment and removal by congress has further weakened the presidency, leading to the impeachment or forced resignation of four of six presidents since 2018.

Castillo Administration and Impeachment

General elections in April 2021 brought to office President Pedro Castillo, of the far-left *Perú Libre* (Free Peru) party, and a new congress with representatives from 10 parties. Castillo drew support mainly from Peru's rural areas, including the Andean south, where lower-income and Indigenous voters responded to his campaign pledges to alleviate poverty and identified with his *campesino* (rural peasant) background.

Figure 1. Peru at a Glance

Ethnic makeup: 60.2% mestizo, Indigenous 25.8%, White 5.9%, Black 3.6%, Other/don't know 4.5% (2017 Census)

Poverty rate: 25% (2022, est.) [2]

GDP: \$239.3 billion; \$7,005 per capita (2022, current prices, est.) [1]

Key trading partners: China (28.3%), United States (19.4%), Brazil (4.6%) (2022, total trade) [3]

Key trade products: *Exports:* Copper, precious metals, mineral fuels, edible fruits and nuts. *Imports:* Mineral fuels, machinery, motor vehicles, consumer electronics. (2022) [3]

Legislature: Unicameral (130 seats, 5-year terms) [4]

Sources: [1] International Monetary Fund's World Economic Outlook, October 2021; [2] U.N. Economic Commission for Latin America and the Caribbean; [3] Trade Data Monitor; [4] CIA World Factbook. Map, CRS.



Castillo's administration, staffed initially by *Perú Libre* party members, faced political and economic headwinds. Right-leaning parties in Peru's congress, led by the runner-up in the 2021 presidential election, Keiko Fujimori (daughter of former President Fujimori), alleged that Castillo's election had been fraudulent and filed an appeal that delayed the final election results. Threats by *Perú Libre* ministers to nationalize sectors of the economy rattled markets and contributed to a sharp devaluation of Peru's currency. Frequent Cabinet reshuffles by President Castillo did little to address domestic and international skepticism over his ability to govern Peru and manage its economy. In mid-2021, anti-Castillo demonstrators held large rallies in Lima and other major cities. Opposition parties in Peru's congress attempted unsuccessfully to impeach Castillo in December 2021 and again in March 2022.

On December 7, 2022, Castillo attempted what some analysts described as a "self-coup," when he tried to dismiss congress and rule by decree, reportedly to preempt a third impeachment vote. Instead, Peru's congress met and immediately impeached Castillo, who was facing numerous corruption allegations. Castillo was later arrested and charged with violating the constitution and corruption.

Boluarte Administration and the Political Crisis

After Castillo's removal from office, Vice President Dina Boluarte became Peru's first woman president under the constitutional rules of succession. Boluarte, a Lima-based lawyer and civil servant, had been elected on the *Perú Libre* party slate. However, she distanced herself from Castillo and the party once in office. Boluarte faced an immediate challenge to her authority from Castillo's rural and Indigenous supporters, who considered the former president a champion of their rights. In the days following Castillo's arrest, tens of thousands of his supporters staged protests across much of Peru's interior. Protesters' demands included Castillo's release, President Boluarte's resignation, early elections, and the convening of a

constitutional convention. In southern Peru, protesters set up hundreds of roadblocks and occupied several dozen regional airports, crippling much of the economy.

In response to the protests, Boluarte declared a state of emergency in southern Peru and ordered the armed forces and Peruvian National Police (PNP) to clear the roads and restore airport services. As the protests grew, clashes between protesters and police became increasingly violent. In two separate incidents in December 2022 and January 2023, the PNP and soldiers allegedly fired live rounds at unarmed protesters and bystanders, killing dozens, according to Human Rights Watch. In November 2023, Peru's attorney general, Patricia Benavides, filed a constitutional complaint against President Boluarte for her alleged role in ordering the violent repression of protests. Peru's Justice Oversight Board later suspended Benavides on suspicion of corruption, potentially derailing the complaint.

President Boluarte also faced backlash from left-leaning governments in the region that had supported former President Castillo. The presidents of Argentina, Bolivia, Colombia, and Mexico criticized Castillo's impeachment and detention and Peru's handling of the protests. Those governments also delayed their recognition of the Boluarte administration, straining diplomatic relations.

Many analysts initially predicted that Boluarte would be unlikely to complete the remainder of President Castillo's 2021-2026 term, given her lack of party support and widespread popular opposition. Some observers attribute the government's survival to a political truce between Boluarte and the conservative parties in congress, as well as to the military's and PNP's support for the government. Responding to protester demands, some Peruvian lawmakers introduced bills to hold early general elections in 2024, including a proposal backed by Boluarte. The Peruvian congress, whose members cannot be reelected, has repeatedly rejected the early elections bills.

Economic and Social Conditions

Since the early 1990s, Peru's economy has been one of the strongest macroeconomic performers in Latin America, characterized by an open investment environment, robust commodities exports, and low public debt. Under the 2009 U.S.-Peru Trade Promotion Agreement, U.S. trade with Peru more than doubled, from \$9 billion in 2009 to over \$22 billion in 2022. Peru also halved its poverty rate, from 42% in 2007 to 20% in 2019. Peru was one of the countries most affected by the Coronavirus Disease 2019 (COVID-19) pandemic in terms of health and economic impacts and the erosion of the social gains achieved in the previous decade, according to the World Bank.

The pandemic caused a sharp rise in unemployment, a spike in poverty, and an 11% contraction in gross domestic product (GDP) in 2020. The economy recovered in 2021, with 13.3% GDP growth, but growth slowed to 2.7% in 2022 and an estimated 1.1% in 2023, according to the International Monetary Fund. Observers attribute the slowdown to tightening global financial conditions, reduced private investment due to political instability, and cooling demand for Peru's mineral exports. A major importer of

fertilizer and food, Peru has seen its domestic food prices rise in response to surging costs internationally.

China's Presence in Peru's Economy

Foreign infrastructure investment in Peru by firms linked to China has grown substantially since the 2010s, a trend accelerated by Peru's accession to China's Belt and Road infrastructure investment initiative in 2019. Chinese state-owned firms have gained controlling equity stakes in several Peruvian critical infrastructure companies, including in large-scale mining and electricity generation and distribution companies. Of particular concern to U.S. officials, the Chinese state-owned firm COSCO Shipping is building a \$3.6 billion container port near Lima. Peru has acknowledged U.S. concerns and has placed some transactions with Chinese firms under anti-trust review.

U.S.-Peru Relations

The United States has maintained close bilateral ties with successive Peruvian governments, including that of President Boluarte. Bilateral U.S. assistance aims to reduce the production and trafficking of cocaine from Peru, mitigate the impact of transnational crime, and increase citizen security by strengthening Peru's criminal justice system. It also seeks to combat food insecurity and promote sustainable livelihoods, support Peru's efforts to provide humanitarian assistance and integration for the 1.5 million Venezuelan refugees and migrants residing in Peru, and strengthen governance and social inclusion.

The Biden Administration requested \$107.6 million in bilateral foreign assistance for Peru for FY2024, \$1.5 million less than allocated to Peru in FY2022. The FY2024 request includes \$55 million in development assistance; \$8.5 million for Global Health Programs; \$41.3 million in International Narcotics Control and Law Enforcement assistance; \$2 million in Nonproliferation, Anti-terrorism, Demining, and Related Programs; and \$800,000 in International Military Education and Training funding. In mid-March 2023, the U.S. Agency for International Development (USAID) notified Congress it intended to obligate \$8 million in FY2023 support to Peru from the Complex Crises Fund, which USAID employs to mitigate conflict in the face of unforeseen crises or violence.

Some Members of Congress have called on the Biden Administration to halt all security assistance to Peru until the Administration can confirm that Peruvian officials responsible for human rights abuses are being held accountable. In light of these and related allegations of excessive use of force by Peruvian police and military, Congress may consider exercising additional oversight over U.S. law enforcement assistance. Congress also may consider whether to revise U.S. economic and humanitarian assistance programs intended to support Peru's efforts to expand economic and social development, increase public integrity to reduce corruption, and strengthen sustainable natural resource management.

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