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Peru: Country Overview and U.S. Relations

Peru is a geographically and ethnically diverse country encompassing portions of the Amazon Basin, the Andean highlands, and the Pacific coast of South America (**Figure 1**). 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. Nevertheless, some observers argue that endemic corruption, stark inequality, and a growing center-periphery divide threaten the future of democracy in Peru, as well as the country's economic growth prospects.

The United States works closely with Peru to stem narcotics-related transnational crime, promote bilateral trade, and advance shared democratic values. Some Members of the 118th Congress have monitored conditions in Peru and U.S. policy toward the country. During the remainder of the second session, Congress may consider whether or not to continue shaping the bilateral partnership through foreign assistance appropriations and other legislative and oversight efforts.

Political Situation

Peru's 1993 constitution, written under the authoritarian government of former 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.

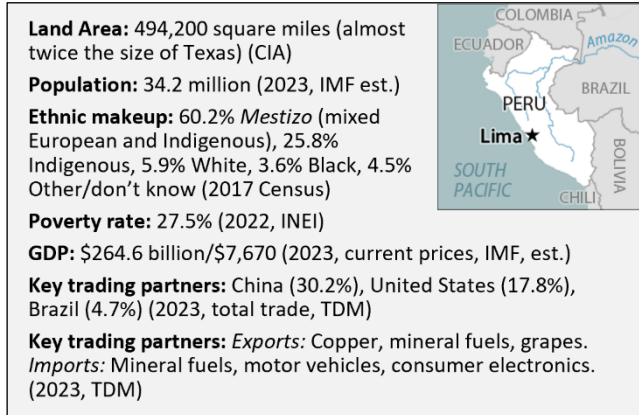
Since the early 2000s, Peruvian politics have been shaped by ideologically charged debates over the distribution of proceeds from the mining sector, representation of rural and Indigenous communities in national politics, and the legacy of the Fujimori years. Corruption scandals involving presidents and other high-level officials have shaken public trust in Peru's political leadership. The 130-member unicameral congress is fragmented, and political party affiliations are fluid, complicating efforts to build governing coalitions. The constitution's low bar to impeachment and removal by congress has weakened the presidency, leading to the impeachment or forced resignation of four of six presidents since 2018. Actions taken since September 2023 by the Peruvian congress to remove members of a judicial oversight entity have also prompted observers and some Members of Congress to voice concerns about judicial independence.

Castillo Administration and Impeachment

General elections in April 2021 brought to office President Pedro Castillo of the leftist *Perú Libre* (Free Peru) party. Castillo drew support mainly from Peru's rural areas where

lower income and Indigenous voters responded to his campaign pledges to alleviate poverty and identified with his rural background.

Figure 1. Peru at a Glance



Source: CRS with statistics from CIA *World Factbook* (CIA); *Instituto Nacional de Estadística e Informática* (INEI); International Monetary Fund's *World Economic Outlook*, October 2023 (IMF); Trade Data Monitor (TDM).

Upon taking office, Castillo faced political and economic headwinds that appear to have been exacerbated by his difficulty managing his administration. Calls by *Perú Libre* ministers to nationalize sectors of the economy rattled markets. Frequent cabinet reshuffles did not alleviate domestic and international skepticism about Castillo's ability to govern Peru and manage its economy. Opposition parties in Peru's congress tried unsuccessfully to impeach Castillo twice less than one year into his presidency.

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; he remains in pretrial detention as of March 2024.

Boluarte Administration and the Political Crisis

Under the constitutional rules of succession, Vice President Dina Boluarte became Peru's first woman president. Boluarte had been elected on the *Perú Libre* party slate but 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. 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. 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. An Inter-American Commission on Human Rights report examining the protests found evidence of human rights abuses committed by security officials and instances of protester violence and vandalism.

Despite deep unpopularity, the Boluarte government has remained in power with support from conservative parties in congress. Although some Peruvian lawmakers have introduced bills to hold early general elections in 2024, the congress has repeatedly rejected the bills.

Economic and Social Conditions

Since the early 2000s, 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, according to the World Bank. Peru also halved its official poverty rate, from 42% in 2007 to 20% in 2019.

Peru was one of the countries most affected by the 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. Experts attribute the slowdown to tighter global financial conditions, reduced private investment because of political instability, and cooling demand for Peru's mineral exports.

U.S.-Peru Relations

The United States has maintained close bilateral ties with successive Peruvian governments, including that of President Boluarte. Under the 2009 U.S.-Peru Trade Promotion Agreement (P.L. 110-138), U.S. trade with Peru more than doubled, from \$9 billion in 2009 to over \$21 billion in 2023. Some Members of the 118th Congress have expressed continued support for the U.S.-Peruvian partnership. Some other Members have raised concerns about democracy and human rights in Peru and Peru's relations with the People's Republic of China (PRC). Congress may continue to monitor the situation in Peru and could consider legislation to shape bilateral relations.

Foreign Assistance

The Biden Administration requested \$107.6 million in bilateral foreign assistance for Peru for FY2024 and \$94.8 million for Peru in FY2025; the Administration allocated \$100.4 million to Peru in FY2023. U.S. assistance for Peru aims to reduce the production and trafficking of cocaine, mitigate the impact of transnational crime, and increase citizen security by strengthening Peru's criminal justice

system. It also seeks to strengthen governance, combat food insecurity, promote sustainable livelihoods, and support Peru's efforts to assist and integrate the 1.5 million Venezuelan refugees and migrants residing in Peru.

Congress may consider whether to meet the President's funding request for FY2025. Congress did not designate an overall funding level for Peru in the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2024 (P.L. 118-47, Division F) but directed U.S. agencies to provide some aid to communities supporting Venezuelan migrants in countries like Peru. H.Rept. 118-146, which accompanied an earlier House-passed version of the FY2024 foreign aid appropriations bill (H.R. 4665), encouraged U.S. agencies to "maintain current levels of assistance" for Peru. In early 2023, some Members of Congress called for a suspension of U.S. security aid to Peru in response to alleged abuses committed by Peruvian security forces. To date, Congress has opted not to impose specific human rights conditions on security aid to Peru.

PRC's Presence in Peru's Economy

Foreign infrastructure investment in Peru by firms linked to the PRC has grown since the 2010s, a trend accelerated by Peru's accession to the PRC's Belt and Road Initiative in 2019. PRC state-owned firms have acquired controlling equity stakes in several Peruvian critical infrastructure companies, including large-scale mining and electricity generation and distribution companies. In February 2024, a Peruvian industry group expressed concern that companies linked to the PRC would control Lima's entire electricity distribution market after Peruvian officials approved the sale of two utility companies to a PRC state-owned firm.

President Boluarte and PRC president Xi Jinping discussed deepening trade and investment ties during a bilateral meeting at an Asia-Pacific Economic Cooperation (APEC) event in late 2023. President Boluarte has stated that the first phase of a \$3.5 billion deep water port being built near Lima by the PRC state-owned firm COSCO Shipping is expected to be complete in November 2024, when Peru is to host the next APEC summit. Some observers contend that the port will expedite shipping between Asia and the region, expanding regional trade opportunities, while some U.S. national security experts have voiced concerns that the PRC majority-owned port could serve a dual commercial-military use and facilitate military intelligence gathering.

Some Members of Congress also have expressed concerns about the PRC-backed port project. Congress may consider whether or not to enact legislation to counter Chinese influence in Peru's economy and/or bolster U.S. commerce with Peru. Several bills that seek to expand U.S. alternatives to PRC investment for critical infrastructure have been introduced in the 118th Congress. For example, H.R. 7571 and S. 3878, companion bills referred to as the *Americas Act*, would provide a pathway for countries in the hemisphere to join the U.S.-Mexico-Canada Trade Agreement, among other incentives intended to encourage U.S. companies to relocate supply chains to the region.

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