

Peru: An Overview of a Never-ending Crisis

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Introduction

The detention of the ‘recently’ elected Peruvian President, Pedro Castillo, reopened the debate on the perennial crisis that has raged in the Latin American country for years. After numerous intervals of government (as many as 10 prime ministers have succeeded their previous one in three years), the confused management of the pandemic crisis, inequality and growth prospects constitute a focal point of the riots that have been rampant in Peruvian cities in recent months.

As is well known, the 2021-2024 timeframe has been repeatedly described as the ‘super electoral cycle’, that is, a period during which the majority of Latin American countries have renewed or will re-elect their presidents, against a backdrop of extreme political polarization and fragmentation, economic uncertainty, and a heavy social legacy resulting from the economic crisis generated by the pandemic. It has been also emphasized how Latin America has entered this major electoral period with a certain weakness, both economic and political-institutional. In this regard, there has been talk – using a Spanish expression – of “*democracias fatigadas*” (Alcantara, 2020), that is, of institutional apparatuses that are particularly fatigued and fragile, a concept that, on the other hand, is fully reflected in the serpentine malaise of societies: from the numerous protest movements that have originated in recent years to the crisis of representative institutions. What has happened in Peru in the last month, or rather, in the last few years, validates this reflection: the arrest of Pedro Castillo, who took office only in July 2021, for triggering a *coup d'état*, is the parable of a country in which major progressive reforms are still lacking: from public health to education to security. All of this fueled by the constant creeping of corruption, which has infiltrated all levels of society.

The aim of this paper is to provide a summary and comprehensive overview of the events that have marked Peru’s recent history and to shed light on possible future prospects.

From the ‘fujishock’ to the “rising star”

With the approval of the 1979 Constitution, Peru initiated an articulated democratization process. However, this new democratic framework failed to unhinge the sharp social inequalities, limit the expansion of poverty, and provide a methodological framework for major social reforms. For this reason, parties emerged in the same years that gathered the dissatisfactions of society, in a sense radicalizing them to the point of using violence (such was the action of the Maoist-inspired *Sendero Luminoso* party and the *Movimiento Revolucionario Túpac Amaru*). The 1990s, however, represented

the rise and fall of Alberto Fujimori, in office from 1990 to 2000. After defeating the famous neoliberal candidate Mario Vargas Llosa, the government of the Peruvian engineer with Japanese citizenship imposed a severe austerity called ‘fujishock’ (Gastellu, 1994), an economic program much harsher than that proposed by the IMF itself. Fujimori’s then party, *Cambio 90*, was able to garner the population’s discontent related to the previous presidency and represent Fujimori essentially as an outsider to the establishment. Although contrary to what was prophesied in the election campaign, the drastic measures implemented by the first Fujimori government involved price containment and currency devaluation: in fact, the Peruvian sol was coined instead of the inti. On August 8, 1990, the economy minister, Miller, announced the price hike –ending his speech with the historic phrase “Que Dios nos ayude”– and “the next morning, the cost of a gallon of premium gasoline had jumped from about 13 cents to nearly \$4” (Robinson, 1990). The tripling of the cost of services, the cessation of State intervention, and the beginning of privatization, threw many cities into a state of emergency, besieged by looters.

However, the doomsday scenario was soon replaced by an upward trend, to such an extent that the Peruvian economy began to grow –as early as 1994– at a rate of 13% and inflation fell dramatically. Growth that has continued to increase since 1999 at an average of 5%, leading the IMF to label Peru a “rising star” due to the low inflation, economic stability, and recorded growth. Fujimori's downfall was associated with the personalistic use of institutions, and the president's pressing authoritarianism, which systematically violated human rights in prosecuting certain political parties; likewise, the sterilization campaign implemented by the government forced an imprecise number of indigenous women to be sterilized to combat the high birth rate. Arrested in 2005 and convicted in 2009 for serious crimes¹ (including, in addition to the aforementioned, several massacres, such as those at Barrios Altos and La Cantuta University, kidnappings, and torture), Fujimori leaves a legacy of historical divisionism, between those who appreciated him for accomplishing an economic rehabilitation of Peru and those who reject his actions *tout court* because of authoritarian decisions. The anonymous and irresolute presidencies of Valentín Paniagua (ad interim, 2000-2001), Alejandro Toledo (2001-2006), Alan García Pérez (2006-2011), succeeded one another until the arrival of the ultra-conservative catholic Ollanta Humala (2011-2016) and Pedro Pablo Kuczynski (2016-2018), which initiates, in a more concrete and stable manner, a period of institutional crisis that drags on to the present day. The origins of the crisis go right back to the results of the 2016 elections that saw Pedro Pablo Kuczynski as the winner against Keiko Fujimori, daughter of the famous president. However, Kuczynski failed to win a large majority in parliament, and in addition, the newly elected was involved in no less than two impeachments, the last of which –related to the Odebrecht scandal–

¹ He is currently free pending the Supreme Court’s final pardon ruling.

forced Kuczynski to resign. Kuczynski's successor, Martín Vizcarra (2018-2020), succeeded Kuczynski and managed to push through some constitutional reforms in December 2018 aimed at restoring institutions and curbing corruption. However, in November 2020, accused of corruption and removed from office, he was succeeded on an interim basis by the president of the Congress, Manuel Merino. His assumption of the presidency, due to the vacancy of Martín Vizcarra, was questioned by various sectors of the population. It was considered by some constitutionalists and local media, specifically, as a *coup d'état* (La República, 2020), while international media called Merino as president. Another sector of constitutionalists considered that the vacancy of Martín Vizcarra was constitutional and followed the procedure established in the Regulations of the Congress of the Republic (see Rodríguez Mendoza, 2021).

However, although he was sworn in on November 10th 2020, after a few days –following the massive protests that erupted in the country, some of which ended in injuries and deaths at the hands of police– Merino resigned and was succeeded by Francisco Sagasti, an industrial engineer from Lima. The center-liberal politician, a former technical advisor to the World Bank, becomes the country's third president in a week and the fourth in less than three years, following the resignation of Merino, the removal of Vizcarra and the resignation of Pedro Pablo Kuczynski in 2018. The vote of the full Congress in favor of Sagasti was greeted with applause in a central square of Lima, while in another part of the city the young victims of the protest were buried.

The parable of Pedro Castillo

The biennium 2020-2021, in addition to being characterized by great political instability, is also the period in which the pandemic crisis has severely affected many Latin American states, among them we undoubtedly include Peru, which has recorded the highest number of infected and a high mortality rate (see: <https://ourworldindata.org/coronavirus/country/peru>). By the way, 2020 had started with a relatively stable socioeconomic situation; in fact, 2019 ended with a GDP growth of 2.2%. However just as the epidemic spread, already in the first quarter of 2020 there was a noticeable contraction with a negative value of GDP (-3.4%) to -9.4% in the third quarter of the year (Dargent, 2021). Adding to the precarious condition of the health facilities were the social and economic factors arising from the fact that 70% of the labor force in Peru works in the informal sector, meaning that many workers had to choose between going out to work or staying at home without having enough money, with an obvious impact on the transmission of the virus. With these great difficulties, and after an election campaign that garnered wide support among the population, Pedro Castillo was elected, who again defeated the *derechista* Keiko Fujimori. The humble origins of the new president, the son of illiterate peasants who was forced to sell ice cream to pay for his studies and thus became an elementary school

teacher in Cajamarca (one of the poorest regions in Peru, despite the presence of gold deposits), had succeeded in capturing the attention of the population.

His presidency, which began on July 28, 2021, emblematically and exactly two hundred years after Spain's independence, was not an easy endeavor, not least because of several questionable ministerial appointments (e.g., that of Guido Bellido as prime minister, close to Sendero Luminoso, later replaced by Mirtha Vásquez, much more progressive than the previous candidate). Having failed to achieve a majority in Congress and having had to reform his cabinet four times, trapped between futuristic reform agendas and congressional immobility, he was impeached in December 2021 for moral incompetence, but escaped this first impeachment. So too with the second, in March 2022, when a lobbyist had accused him of receiving bribes from a bridge construction company. As highlighted by Vidal Carrasco:

The Castillo government did not fulfill its promises to change the economic course –the promise of a new constitution that would limit the inhuman profit of private companies, an agrarian reform, the fight against corruption and equality for all people. Instead, Castillo has dedicated himself to responding to Congress, repeating old practices of corruption, negotiating positions in ministries, and offering measures that violate human rights (2022).

This stagnation and some obstruction by Congress, which, for example, has not allowed him to make all his institutional trips (e.g., the one to Mexico for the Pacific Alliance meeting), has thrown the country back into a state of institutional and social disorder culminating in the events of December 2022. As early as November of that year, several issues weighed on Castillo: the first was an indictment for treason,

based on Castillo's statements that he would hold a referendum to ask the population whether Peru should give neighboring Bolivia maritime access. The second, presented by the attorney general, alleges that the president is the head of a criminal organization that seeks to obtain bribes in exchange for governmental contracts (Moncada, 2022).

The fear that all these charges could materialize and result in his ousting from office evidently led Castillo, in a desperate attempt, to try to dissolve the congress and appoint an emergency government, as well as to form a constituent that would draft a new constitution. Constitutional Court and Vice President Dina Boluarte call the attempt a *coup d'état* to block the impeachment process. On December 7th, the Peruvian parliament approves the impeachment against Castillo and removes him from his presidential office by a majority of 101 in favor and 6 against out of 130 votes. He is succeeded by Dina Boluarte, an exponent of Peru Libre, stating her will to form a government that is an expression of “todas las sangres”

The ousting of the former president, teacher, and trade unionist, led some of his supporters to clash with police on the streets of the capital Lima, plunging the country back into a state of disorders. Moreover, while there are riots and scuffles in the streets, some Latin American governments, such as Argentina, Bolivia, Colombia, and Mexico, in a joint statement expressed concern about the fate of Castillo, called him a “victim of undemocratic persecution” and did not recognize the legitimacy of Dina Boluarte’s mandate. The progressive front thus seeks to isolate a government it considers illegitimate, and which is being challenged by the thousands of Peruvians who have taken the streets in the immediate hours. Boluarte declared a 30-day state of emergency, ordering the closure of schools and announcing early elections by December 2023, amid a violent wave of protests in which 18 people have already lost their lives.

Conclusions

The disarray and disenchantment left by the Castillo presidency opens up a great scope for reflection on a succession of years in which the major structural reforms that should have transformed the country have been trapped in political dynamics. All this occurs within a scenario in which the GDP’s 2023 growth projections for Latin America are around 1.4%, and 2.2% for Peru (Cepal, 2022). Moreover, the crisis spiral has highlighted the volatility of the political system and parties, which are much more bent on internal diatribes than on achieving the goals of major reforms. This trend exacerbates the possibility of substantial growth, as evidenced by the projections, not because of an underlying impossibility in the country but because of a number of factors that have solidified and never really were eradicated and combated. The covid has increased those inequalities that already seemed to be deepening, and it has also dismantled the fragile health care system, necessitating, for example, the action of investments such as those brought forward by the EU’s Multiannual Financial Framework (2021-2027), through which aid will be provided to the Latin American country especially in the health sector.

The failure of Castillo’s antiestablishment narrative, which would have liked to assign a new role to a forgotten section of society and to broad development sectors such as agriculture, brings back the central theme of major social reforms as reported by the World Bank:

Important structural challenges for the Peruvian economy include reducing the relative size of the informal sector, which employs three-quarters of workers in low productivity jobs, and improving the quality of government services, including education, health and water. Overcoming these challenges is critical to boost Peru’s long-term growth and poverty reduction (2022).

It thus seems clear that social reconciliation and political stabilization of the country is as necessary for domestic growth as it is for increasing the country’s attractiveness as an investment pool.

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