



# Can Peru Recover from Political Instability?

As 2022 comes to an end, Peru finds itself in a period of political instability. On December 7, 2022, Dina Boluarte (“Boluarte”), the country’s former vice-president, became Peru’s first female president, and Peru’s sixth president in under five years.<sup>1</sup> A few hours before Boluarte was sworn into the Executive Office, the Peruvian Congress (Congreso de la República del Perú) impeached her predecessor, Pedro Castillo (“Castillo”). With 101 votes in favor, six votes against and 10 abstentions, the legislative branch removed Castillo from the executive office for “permanent moral inability”. What’s more, those who voted in favor include congressmen from his own political party, Peru Libre.<sup>2</sup>

Castillo’s removal from office came hours after he announced that he would dissolve Congress, had ordered a nation-wide curfew, tried to reorganize the judiciary branch, and called for parliamentary elections to write a new constitution.<sup>3</sup> The announcement quickly sparked comparisons with the 1992 “autogolpe,” a staged coup d’état in which former President Alberto Fujimori (“Fujimori”) (1990-2000) dissolved Congress and sent armed forces and tanks to the streets of Lima. Yet, Castillo’s attempt lacked Fujimori’s popular and military support.<sup>4</sup> Castillo’s move ruptured all normal legal channels to resolve issues between the branches of government. It sparked resignations from members of his administration including his personal attorney, the Ministers of Economy and Finance, Justice and Human Rights, Environment, Transportation, Culture and Women, and Foreign Affairs.<sup>5</sup> The international community, including the U.S. State Department and the Spanish Ministry of Foreign Affairs, among others, have condemned Castillo’s failed coup attempt and have shown full support of the new President.<sup>6</sup> The Prosecutor’s Office has already filed criminal complaints against the former executive for his attempt to dissolve Congress.<sup>7</sup>

Peru's political volatility is not a new trend in the country. Even though Castillo's presidency had been characterized by constant uncertainty due to congressional opposition (Congress had attempted to impeach him on two occasions,<sup>8</sup> corruption accusations, high disapproval ratings from the Peruvian population (66% in November 2022),<sup>9</sup> and the fact that his administration brought about 80 ministerial changes in less than 18 months,<sup>10</sup> Castillo's removal from office represents a deep-rooted issue that has characterized Peruvian politics in recent years; the country has had six presidents since 2018.<sup>11</sup> Ultimately, the recent events in Peru are not just about Castillo, but rather reflect profound underlying systemic problems.

### Endemic Corruption and Political Volatility

We believe two key trends have contributed to Peru's current political situation: endemic corruption among government officials, and a Congress dominated by populist right-wing parties who have opposed the executive branch.

Castillo's arrival to the Peruvian presidency in 2021 was the result of a series of events that led the Peruvian people to vote against the traditional political status quo. The 2021 presidential elections occurred in a moment of extreme volatility: a nation disproportionately suffering one of the worst global outbreaks of COVID-19 per capita, corruption scandals, and a polarizing conservative opposition directly connected to endemic corruption in Peru, all of which compounded the population's discontentment with the traditional political elite in the country.<sup>12</sup> At the time, Castillo's opponent was Keiko Fujimori ("Keiko"), daughter of former president, Fujimori, who has been the subject of several corruption accusations and who ultimately represents the country's corrupt political class.<sup>13</sup> As a result, Castillo's election was not a vote for a Castillo government, but a vote against the political status quo.

Yet, corruption continues to be a hot topic affecting high-ranking government officials in Peru. In October 2022, Castillo was accused of leading a criminal organization, influence-peddling and collusion.<sup>14</sup> According to the Americas Barometer produced by the Latin American Public Opinion Project (LAPOP), Peru ranks first in Latin America as the country with the highest perception of corruption in its politicians.<sup>15</sup> As such, endemic corruption appears to be a constant in Peru's government, regardless of which political party sits in the presidency.

The Peruvian Congress has also had a strong role in the country's current political panorama. The legislative branch,

controlled by populist right-wing parties,<sup>16</sup> has had a strong role to play in the discharge of two presidents in the past four years.<sup>17</sup> In 2020, the Peruvian Congress also impeached former president, Martin Vizcarra, for "permanent moral incapacity" after corruption allegations.<sup>18</sup> As such, conflicts between Peru's executive and legislative branches have been a constant trend in the Andean country. Boluarte now faces a Congress where she does not have a majority, and who has proven in the past that it is willing to remove presidents that do not align with their views.

### Political Outlook

Boluarte's first week in office has been rather busy and she has shown her will to restore political stability to Peru. As of December 15, 2022, she has already appointed her Cabinet Ministers, and her Cabinet is led by former prosecutor Pedro Angulo.<sup>19</sup> Boluarte appointed nine women, showing early on in her administration her commitment for a more inclusive cabinet.<sup>20</sup> One of the appointees to highlight is her new Minister of Finance, Alex Contreras ("Contreras"), an experienced economist who served as Vice Minister of Economy from August 2021, and who has previously served as Director of the General Directorate of Macroeconomic Policy and Fiscal Decentralization of the Ministry of Finance and in Central Reserve Bank of Peru.<sup>21</sup> Contreras' appointment indicates that one of Boluarte's first priorities as president is indeed to restore stability and provide confidence to the private sector and foreign investors.

Despite Boluarte's attempt to restore stability, her first week in office has been characterized by sociopolitical discontent and social unrest. Protests have been led by Castillo's supporters who marched through the streets after a judge ordered the former president to remain in jail on "charges of 'rebellion' and 'conspiracy'"<sup>22</sup> The protestors are asking for Castillo's release and also for Boluarte's removal from the executive office.<sup>23</sup> Peruvian prosecutors also announced that they are seeking 18 months of preventative detention for Pedro Castillo as he publicly calls for the Inter-American Commission on Human Rights to interfere and fight for his rights.<sup>24</sup>

On December 14, 2022, amid the increasingly violent protests, the government of Peru declared a nationwide state of emergency after at least eight people died from gunshot wounds in clashes with the police.<sup>25</sup> This measure will suspend the rights of assembly and freedom of transit for 30 days, and it permits law enforcement to search people's homes without permission or judicial order.<sup>26</sup> As a result of the situation, President Boluarte has tried to

appease protesters and announced that general elections could take place as early as December of 2023.<sup>27</sup>

### Specific Business Concerns

Taking into account the recent change in government, the social unrest in the country, and the impact that these events could have on Peru's business environment, it is vital to analyze the potential changes that could be implemented in the mining, energy, and infrastructure sectors – among others. FTI Consulting has done extensive research on each of these sectors, as well as extensive scenario mapping and likely impacts. Please contact Daniela Cuellar [daniela.cuellar@fticonsulting.com](mailto:daniela.cuellar@fticonsulting.com) if your company would like to receive this analysis.



stability to Peru.<sup>28</sup> However, given the pressure she has faced during her first week in office she has already announced that she might call for earlier elections. But more importantly, regardless of how long Boluarte stays in office, or who gets elected in the next presidential elections (irrespective of the date they're held), unless the deeply rooted issues that have led to this tumultuous political situation are not addressed, it is unlikely that Peru's political and social stability will be restored.

### Conclusion

Boluarte comes into office during a difficult moment for Peru socially and politically. The former Minister of Development and Social Inclusion, who has had a relatively low political profile up until now, faces several obstacles as she assumes the presidency. The lack of congressional support, endemic corruption, economic challenges, social unrest, and multiple precedents of presidential impeachments are all significant obstacles to her new leadership. Boluarte had stated that she aimed to finish her full presidential term and restore

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## Endnotes

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