



# How To Navigate Peru's Political and Social Turmoil

The latest political crisis which has befallen Peru in the past months shows few signs of stabilizing. Companies across Latin America have been impacted, with blockages on roads, borders and trading centers such as the Port of Callao leading to widespread supply chain disruptions.<sup>1</sup>

The consequences of this unrest will be widely felt. Peru's inflation is set to hit nearly 9% this year, reshaping exports and imports patterns and altering foreign investment in the region.<sup>2</sup> On a global scale, countries have already shown a vested and divided interest in the country, with the United States, Spain, Canada, Chile and Ecuador supporting Vice President Dina Boluarte ("Boluarte"), while left-leaning countries including Venezuela, Cuba, Bolivia, Colombia, Mexico, Bolivia and Argentina have been quick to show their support for the ousted ex-President Pedro Castillo ("Castillo").<sup>3</sup> Amongst this geopolitical flux, companies with any business in Latin America must remain vigilant.

However, the protests are not a surprising phenomenon. Peru is a country which has become plagued by instability. In the last seven years, Peru has had seven Presidents, and during Castillo's fraught Presidency, a new Minister was appointed nearly every six days on average.<sup>4</sup> To make matters worse, the country suffered the highest per capita death rate in the world during the COVID-19 pandemic.<sup>5</sup>

Despite these structural issues, many companies have thrived in the Peruvian market. Even now, most businesses remain operational.<sup>6</sup> The violence in Lima is concentrated in few areas and despite the headlines, most citizens continue to work as usual. Peru remains one of the fastest growing economies in the world.<sup>7</sup> For companies which can weather the current upheaval, there lies great upside potential.

## Background: Castillo's Fall

After two impeachment attempts, Castillo's presidency finally came to an end when he tried to close Congress and was consequently impeached and arrested. He has been detained in the Barbadillo prison, a maximum-security prison close to Lima in the Special Operations Directorate ("DIROES").<sup>8</sup> Peru's Prosecutor's Office stated that Castillo may be sentenced to more than 31 years in prison for allegedly committing corruption offenses during his administration. The prosecutor also accused Castillo of heading a criminal organization during his Presidency dedicated to obtaining money from fraudulent bids for public works, and demanded a 36-month preventive imprisonment for the ex-President.<sup>9</sup>

Following Castillo's demise, Boluarte – Castillo's vice president – was promptly sworn in as Peru's first female president. Protests erupted following the news, five ministers of Boluarte's government have already resigned, and Boluarte herself is being indicted for "genocide, qualified homicide and serious injuries".<sup>10</sup>

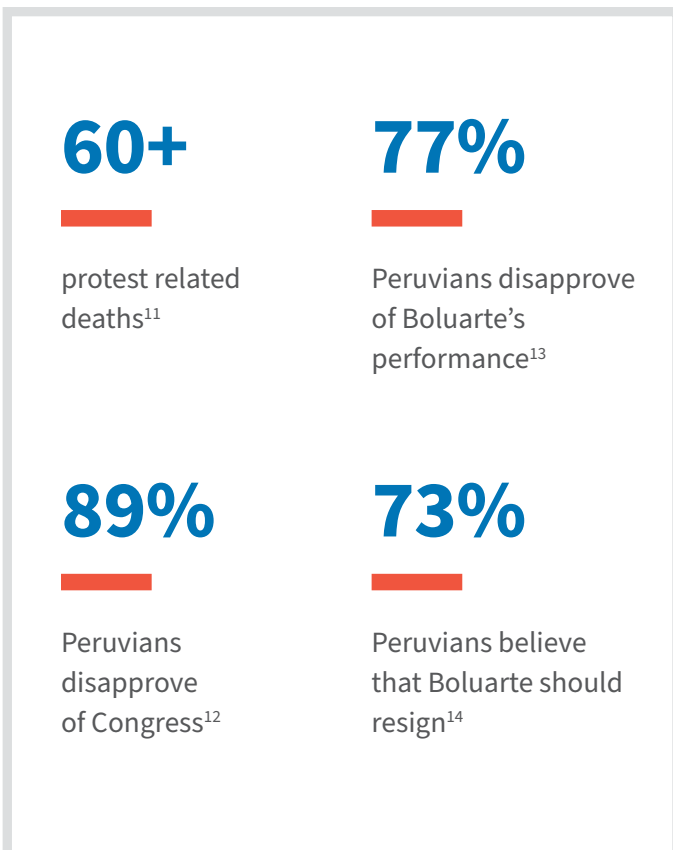
## Peruvian Protests

The protests have impacted the growth of Peru's economy. According to the Ministry of Economy and Finance, Peru has already lost more than US\$500 million as a result of the turmoil.<sup>15</sup> The tourism sector has been most affected – with up to 60% of travel bookings cancelled over the next six months<sup>16</sup> – though mining and agriculture have also suffered significantly.<sup>17</sup> Nor have the economic effects been restricted to Peru. The Tacna-Arica motorway has been blocked, stymieing produce into Chile, while the closure of the bridge in Desaguadero has had a similar effect for Bolivia.<sup>18</sup> Countries throughout the continent are feeling the political and economic consequences of the fall of Castillo.<sup>19</sup>

The protests are coming mostly from the politically disenfranchised, indigenous South, who have lived through decades of poor education, underfunded public health care, and no public housing.<sup>20</sup> Protestors are calling for a new constitution and the dissolution of Congress. Congress is seen by some as a force of corrupt right-wing politicians who have paralyzed the workings of previous governments.<sup>21</sup> With Castillo and ex-President Vizcarra, who were both impeached by Congress, also embroiled in corruption scandals, endemic graft is engulfing modern politics in Peru.<sup>22</sup>

Protestors are also demanding snap elections. According to recent polls, 73% of the Peruvian population believes that Boluarte should resign from office.<sup>23</sup> So far, Congress has failed to approve a bill to call for new elections. Political parties are divided on the manner in which this procedure should be carried out. Left wing actors insist that the population should be consulted on whether they agree with a Constituent Assembly; the right wing refuses to approve such a measure. For the last three months, attempts to find consensus among political forces have been unsuccessful.<sup>24</sup>

Unless the deep-rooted, systemic tensions which have led to this turbulence are addressed, new elections – regardless of when they are held – are unlikely to restore political and social stability. Instead of hoping for the storm to pass, companies must learn how to operate in uncertain waters.



# Top 4 Recommendations for Companies in Peru

For companies considering entry or already operating in Peru, there are several essential steps to avoid panic and maximize potential. Considering the above, we have compiled four of the most important strategic actions which, in the current circumstances, are highly recommended.

## 1 Security Risk Assessment

A company must have full visibility over where it is operating and what the surrounding context is.

Firstly, it must understand its exposure and the location of its facilities, finances and personnel. It must have a clarified idea of its current security position and any gaps which may exist in its management procedures. This stage may involve embedding local security experts into the workforce or contracting a third party for localized insight.

Secondly, the company should contextualize its operations and undergo a security analysis of the region. Relevant sociopolitical and regulatory events must be analyzed on a regular basis. To this end, many companies contract data & analytics experts who provide real-time incident databases and dashboards of the evolving risk landscape. Such technology enables the security team to be cognizant of any trends, changes, threat levels and KRIs.

Furthermore, a dashboard of this kind allows companies to keep a record of all incidents. This becomes pivotal during internal reviews and arbitration cases, where timely and detailed evidence must be presented.

Once the security risks have been assessed, it is advisable to develop a risk matrix which scores incidents based on their likelihood and impact. Matrixes provide visibility over all scenarios and enable companies to prioritize the most pressing issues quickly.



## 2 Crisis Management Training and Testing

Once you know the risks facing your company, it is important to draw up procedures of how to respond in the case of certain events. If Boluarte resigns tomorrow, how does the company react? How do you communicate with your customers, shareholders and general public?

A crisis management plan means that a company is never caught unawares. It specifies the measures used to respond and recover when an incident has occurred.

Strikes, blockages, terrorist attacks from the Sendero Luminoso and other armed groups, new elections, a new populist President or foreign intervention are all possible in Peru's current climate. An organization should have a clear idea of how it responds in each of these scenarios.

With an eye on all potential events which can occur, nothing should come as a surprise, and everything becomes manageable. Accordingly, regular simulated training should be conducted with operational teams on the ground in coordination with crisis management teams at head office.

### 3 Investigative Stakeholder Mapping

As well as understanding the ‘what’, companies must have a clear grasp on the ‘who’. In Peru, it is not always clear which parties are calling the shots in a certain region or project. There are many players – including indigenous communities, local politicians, multi-nationals, landowners, armed groups and drug-traffickers. According to the Corruptions Perception Index 2022, Peru was ranked as very corrupt with only a 36% ‘clean’ level, meaning that deals do not always operate as they should.<sup>25</sup>



In this climate, it is crucial to know all the stakeholders who can impact a company’s operations. ‘Know’ information can be gleaned from public domain sources including articles, PR statements and social media sites. But equally important is the ‘unknown’ information, the relationships of interest, networks, hidden agendas, problematic connections and motivations. This information is sourced through delicate human source inquiries and can uncover critical insight about who is really in control, and what the true reputation and disposition of a given stakeholder is.

Just as with a risk matrix, it is possible to develop a stakeholder matrix which monitors the profiles, positions and activities of every stakeholder who can influence a company’s operations.



### 4 Community Engagement

After identifying your stakeholders, their motivations and power relationships, you can then develop a community relations engagement plan and strengthen capacities for dialogue with each party. In Peru, communities are often actively engaged and constantly oppose large-scale private projects. A community relations expert can help ensure that the local population is onside with a particular venture or presence and specify the needs and requirements of the community – whether it be a school, a hospital or a voice in the project.

This process should be conducted in close consultation with your security preparedness, as especially in Peru, there is a strong symbiosis between community and security issues.

These four actions are linked and feed into each other – stakeholder mapping and risk assessments determine crisis response actions and inform stakeholder engagement, and all four are critical for any company which decides to conduct business in Peru.

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