

**U.S.-Peruvian Relations:
Cooperation within the International System of the Twenty-First Century**

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In the twenty-first century, bilateral cooperation between Peru and the United States has been robust.² The relationships between the governments of Alejandro Toledo (2001-2006), Alan García (2006-2011), and Ollanta Humala (2011-2016) with the respective U.S. administrations have been among the closest of any Latin American governments with the United States. Overall, during these fifteen years, Peru and the United States were in agreement on the two most salient issues: economic openness and security. There was also considerable agreement on additional important issues: democracy and climate change.

The degree of cooperation between Peru and the United States was surprising because of the changes in the international system described in Chapter 1: the system was no longer unipolar. Although the United States remained the most important power in the hemisphere, it was increasingly rivaled by China. Previously, in the 1960s, Peru had struggled with the U.S. government's defense of the International Petroleum Company's interests in Peru and, from the late 1970s into the 1990s, it had struggled with its dependence on the International Monetary Fund. Further, the capacity of the U.S. to engage with Latin America eroded as its attention shifted to the Middle East and Asia and as partisan divisions and executive-legislative conflict intensified. In Peru, a new U.S. Ambassador was appointed in June 2013 but awaited U.S. Senate confirmation for a year before finally arriving in Lima.

At the same time, the international capacity of many Latin American countries, including Peru, increased. Despite Peru's cooperation with the United States, it was independently assessing and pursuing its own interests—in other words, its foreign-policy making was “pragmatic.”³ Peru's capacity to assess and pursue its own interests independently of U.S. preferences was facilitated by its establishment of diverse alliances. Peru's economic ties with China were strengthening dramatically and its economic and political ties with various Latin American countries were improving as well. As one Peruvian foreign-policy expert said: “Peru is with everyone and with no one.”⁴

The degree of cooperation between Peru and the United States was also surprising because Peru was not a Latin American country that would have been considered likely to have a friendly relationship with the United States in the twenty-first century. Traditionally, inequality in Peru was severe--a problem that had propelled its neighbors Ecuador and Bolivia into ALBA (the Bolivarian Alliance for the Peoples of our America, sponsored by the late Venezuelan president, Hugo Chávez), which balanced against U.S. power. Into the 1990s, Peru's ideological left had been among the strongest in Latin America and the relationship between the United States and Peru had often been acrimonious.

Why, then, did Peru partner with the United States when numerous Latin American countries did not? The answer lies in both the structure of economic opportunities available to Peru in the twenty-first century and in the agency of both Peruvian and U.S. leaders.

This chapter first explores the increase in Peru's capacity and prestige. The two subsequent sections describe the cooperation between Peru and the United States in the twenty-first century on the most salient issues in the relationship: first, economic openness, and, second, security (counternarcotics and counterinsurgency). I will indicate that, despite the cooperation between Peru and the United States, Peru has established ties with a diverse spectrum of nations. In the next two sections, I analyze additional items on the hemispheric agenda—first democracy and then climate change—and point out that, despite Peru-U.S. cooperation, Peru is partnering with other Latin American countries also. As Peru's 2011-2013 Foreign Minister, Rafael Roncagliolo, said: "If we [Peru] want to have political weight in the world, we have to do it together [with South America]."⁵ Then, I probe the reasons why Peru's three twenty-first century presidents chose cooperation with the United States.

Peru's Increasing Capacity and Prestige

As Jorge Domínguez points out in Chapter 1, most Latin American economies boomed between 2002 and 2013, and the prosperity enabled them to increase their independence and

institutional competence. Peru is very much a case in point. A virtuous circle emerged: after the Shining Path insurgency was decimated, the economy grew, and state capacity did as well; Peru's infrastructure for tourism improved; Peru's "soft power"—its prestige in the world—skyrocketed; and, completing the circle, political peace and economic growth continued. Still, many Peruvians were dissatisfied with the limits to socioeconomic inclusion and even more dissatisfied with their country's politics.

Between 2002 and 2013, Peru's GDP growth was the second best in Latin America: about 6.1% per year versus roughly 3.3% in Latin America overall.⁶ (In 2014, however, due primarily to the fall in commodity prices, economic growth was only about 2.8% in Peru versus 1.1% in Latin America overall.⁷) Between 2000 and 2010, Peru's GDP per capita increased by 150%—much more than in any other decade since 1920.⁸ Further, the benefits of Peru's growth reached considerable numbers of Peruvians. The percentage of the population in poverty fell from 54% in 2002 to 24% in 2013.⁹ The infant mortality rate, which in 1990 had been about 25% higher than in Colombia and Ecuador, was slashed and as of 2011 was lower than in Colombia and Ecuador.¹⁰ Similar cross-national comparisons for educational enrollment and the Gini index of inequality were also favorable for Peru.¹¹ The successes were attributed in part to the dramatic expansion of roads in Peru's interior.¹²

However, Peru's growth was based on the extraction of natural resources and was, in the classic term, "dependent." International mining, energy, and logging companies profited from extractive projects in Peru's mountains and jungles, but near-by communities feared damage to their land and water and doubted that they were getting their fair share of the profits. In addition, although the number of Peruvians in poverty declined, many were barely getting by. Between 2001 and mid-2011, the nationwide real minimum wage increased by only 13%.¹³ The Humala government provided an increase of roughly 15%, but Peru's real minimum wage

remained among the lowest in Latin America.¹⁴ Salaries for teachers and nurses hovered in the range of \$400 a month.¹⁵

Probably in part because many Peruvians' living conditions were not improving dramatically, they were critical of their governments. As Steven Levitsky commented, despite Peru's "economic boom," there was a "political bust."¹⁶ During most of their terms, Toledo's approval rating was below 20% and García's below 30% and, by 2015, Humala's were also in the 20% range.¹⁷ In Latinobarometer and other surveys, satisfaction with democracy and democratic institutions in Peru was below Latin American averages.¹⁸ Although Peru's twenty-first century elections have been free and fair and its electoral institutions appear robust, the succession of unpopular governments provokes fears both inside and outside Peru that the political system is in question.

Still, despite Peruvians' dissatisfaction, by numerous measures the capacity of Peru's state has strengthened. On the World Bank's index of Government Effectiveness, Peru moved steadily upwards between 2002 and 2013, from the 104th position with a score of -0.35 in 2002 to the 96th position with a score of -0.14 in 2013.¹⁹ (A score of -2.5 is the worst possible and a score of +2.5 the best possible; in 2013 the average score was -0.03 and Peru was in the middle range for Latin American countries.²⁰) Alberto Vergara argues that, beginning in the early 2000s, a "technocracy" emerged in Peru--especially at the economics ministry and central bank--that is highly professional and sophisticated and has taken the reins of government from inferior politicians.²¹

Peru's state has numerous recent achievements to its credit. The Ministry of Foreign Relations has long been considered Peru's most professional ministry and, in 2008, its team asked the International Court of Justice (ICJ) at The Hague to rule on Peru's claim against Chile with respect to the two countries' maritime border.²² (In the 1879-1883 War of the Pacific, Peru had been defeated by Chile, and emotions still run high.) In January 2014, the ICJ confirmed

that a 1952 agreement set the two countries' maritime border for 80 nautical miles but also ruled that, between 80 miles and the 200-mile limit, the border should be equidistant between Peru and Chile. Accordingly, Peru gained some 50,000 square kilometers of ocean, and most Peruvians were delighted.

Also, Peru's Ministry of Foreign Commerce and Tourism (Ministerio de Comercio Exterior y Turismo, MINCETUR) has negotiated a large number of free-trade agreements (in cooperation with other ministries on relevant sections of the agreements). Between 2000 and 2014, Peru negotiated more free-trade agreements that have successfully come into force--a total of 14--than any other Latin American country except Chile.²³ These agreements were with the United States, China, Singapore, Thailand, South Korea, Japan, and the European Union, among other countries.²⁴ Over the same period, Chile negotiated 22, including even more Asian countries, but Mexico only 11 and Colombia only 7.²⁵ Also, in 1998, Peru joined APEC (Asia Pacific Economic Cooperation), which now includes 21 members; Colombia did not try to join at that time (and as a result was ineligible subsequently to participate in the negotiations for the Trans-Pacific Partnership).

Peru's soft power has multiplied. Machu Picchu was selected as one of the "new seven wonders of the world" in 2007. Renowned novelist Mario Vargas Llosa won the Nobel Prize in 2010. Peru's cuisine is acclaimed around the world; in 2014, Peru became the first Latin American country with two restaurants among the World's 20 Best Restaurants.²⁶ Peru's top chef, Gastón Acurio, won the Global Gastronomy Award in 2013 and has established more than 40 restaurants in many countries, including at least 3 in the United States; in an interview with *Food and Wine*, he said that his mission "isn't just making restaurants. What we are doing, really, is selling a country."²⁷ Acurio emphasizes that Peru's gastronomy is magnificent because it integrates diverse ethnic culinary traditions—from the indigenous Quechuan to the colonial Spanish to the immigrant Asian and African. Arguably for the first time, national identity and

pride have emerged in Peru.²⁸ In a 2014 opinion poll, 55% of respondents said that Peru gave them a feeling of “pride;” Machu Picchu and gastronomy rivaled as the two top reasons for pride.²⁹

At the same time, perceiving the potential of tourism, Peru’s MINCETUR and local governments worked to improve Peru’s airports, trains, parks, and other infrastructure and Peru became an attractive international destination. Between 2000 and 2013, the number of international tourist arrivals in Peru multiplied more than three times, whereas it increased less than 50% in the Americas in general.³⁰ Lima became the site of major global gatherings. In December 2014, Peru successfully hosted about 10,000 delegates from 194 countries for the 20th Conference of the Parties to the United Nations Framework Convention on Climate Change (commonly called COP 20). In October 2015, Peru will host the annual meeting of the World Bank Group; Peru will be the first Latin American country to host the event since Brazil in 1967. In 2019, Lima will be the site of the Pan American Games.

Cooperation on Market Openness

In contrast to many Latin American countries, Peru maintained pro-market economic policies and cooperation with the U.S. was robust. In 2009, the Peru-U.S. Trade Promotion Agreement (usually called the Peru-U.S. Free Trade Agreement, FTA) went into effect. Since 2010, Peru has been negotiating the Trans-Pacific Partnership (TPP) with the United States and 10 other Pacific-Rim nations. The predominant view is that these initiatives signaled Peru’s commitment to market openness and were helpful in increasing trade and investment in Peru. The initiatives did not limit Peru’s capacity to build economic ties to other partners—on the contrary, they increased it.

The Toledo and García governments worked hard to achieve the FTA with the United States. In Peru, in 2006 the FTA was overwhelmingly approved by its legislature and in 2007 it was reported to be approved by approximately two-thirds of Peruvians.³¹ But, in the U.S., the

road to approval was long; in 2006, the Republicans lost their majority in the U.S. Congress and Democratic leaders pressured for greater safeguards for labor and the environment. During this period, Colombia, Panama, and Peru were pursuing FTAs with the United States, but only Peru succeeded. Peru's success owed a great deal to the abilities of both Presidents Toledo and García to work with Democrats in the U.S. Congress; the U.S.-Peru FTA was the first to directly incorporate labor and environmental safeguards.³² The FTA was approved in late 2007 in the U.S. Congress, but Democratic leaders remained concerned and it was not until January 2009 that Bush certified Peru's compliance and the FTA went into effect in February.

For the U.S., the FTA stipulated that 80% of U.S. consumer and industrial products and 67% of U.S. agricultural products would immediately enter Peru duty-free. Peru's remaining tariffs would be phased out over ten years. For Peru, the FTA assured permanent preferential access to the U.S. market and a lowering of non-tariff barriers, especially for agricultural products.

The FTA's environmental chapter requires that Peru improve its conservation of natural resources, in particular by enforcing its own laws and building state capacity, and Peru's progress has been considerable.³³ (At the same time, however, as I discuss below, progress may have been reduced by the FTA's investor-state dispute mechanism.) To these ends, in 2008 Peru's Ministry of the Environment was established. Among its various responsibilities, the Ministry reviews the Environmental Impact Assessments that are now required for extractive projects. The environmental chapter also includes an annex, "Forest Sector Governance," which promotes the sustainable management of Peru's forest resources.

A particular goal was to reduce illegal logging through the development of an inventory of Peru's forest resources and the verification of the legal origin of timber exports; a new Forestry and Wildlife Law was necessary. Under the pretext of the provisions of such a law, in 2008 President García issued a multitude of legislative decrees that removed 45 million hectares

of Peru's jungle from state protection and did not provide indigenous communities with consultation rights for logging or mining projects.³⁴ In 2009, these decrees provoked months-long protest in the Amazon province of Bagua that culminated in more than 30 deaths, including both police and protestors.³⁵ García withdrew the decrees; finally, in 2011, a Forestry and Wildlife Law responding to the provisions in the FTA was approved in Peru's legislature. Subsequently, the Humala government has been making an effort, and the U.S. Forest Service has been working with its Peruvian counterparts, but the challenge is immense. For example, for several months in 2014 Peru's Ministry of the Environment dispatched security forces to raid and burn illegal gold mining camps, which have razed forests and put tons of toxic chemicals into rivers, but many illegal miners returned and rebuilt.³⁶

Respect for the FTA's environmental chapter and, in general, concerns about the environment may have affected the Obama administration's response to various intense conflicts in Peru between extractive companies, which for decades have contaminated the land and water of near-by communities, and the communities, which are protesting new projects in an effort to achieve either their cancellation or a greater share of their economic benefits. A particularly important conflict is between Yanacocha Mining, in which U.S.-based Newmont Mining has a 51% share, and the communities in the northern-highlands area of Cajamarca that are protesting the company's \$4.8 billion Conga gold mine project. The project was to require the "re-location" of four lakes that were crucial to water supplies and in 2011 it confronted an "indefinite" strike by near-by communities. The Humala government used carrots and sticks to try to resolve the conflict, but as of 2015 the project remained stalled. In the past, U.S. administrations might have publicly supported the company, but the Obama administration has said very little. In official remarks after meetings with Humala, both Obama and U.S. Secretary of State John Kerry have cited the U.S. commitment to high standards of environmental protection.³⁷ This commitment could be called into question by U.S. support for companies embroiled in conflicts.

A second significant set of provisions in the Peru-U.S. FTA was the investor-state dispute mechanism. International companies investing in developing countries fear sudden expropriation or discriminatory sanctions and want legal security. Since the 1950s, companies have been enabled by conventions to apply to international panels of arbitrators for compensation against a host country's regulations. In the Peru-U.S. FTA, various arbitral mechanisms were specified; most cases have been submitted to the World Bank Group's International Center for the Settlement of Investment Disputes. The number of suits has been considerable. In mid-2015, Peru won its case against the Camisea Consortium about its re-export of oil and gas exports to the U.S. However, the investor-state dispute mechanism has vexed Peru's ability to support communities protesting environmental damage by extractive companies; if Peru cancels a project, it can be subject to a claim by the company. Currently, Renco Group is suing Peru for \$800 million for having closed its notorious metal smelter in the town of La Oroya. Bear Creek Mining is suing Peru for the rescission of its permits for a silver mine after intense community protest. Concern about suits was a likely factor in the Humala government's response to the violent 2015 conflict over Southern Copper's \$1.4 billion Tía María project near Arequipa.³⁸ (Southern Copper is based in Mexico but the Peru-Mexico FTA includes a similar investor-state dispute mechanism.)

As mentioned, since 2010, Peru has been negotiating the TPP. Besides Peru, the participating nations are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Singapore, and Vietnam, and together their GDPs comprise nearly 40% of the world's economy. Although Peru, Chile, and Mexico are members of the Pacific Alliance (see below), their interests were not identical and they did not negotiate as a bloc.

Would the TPP benefit Peru? As of mid-2015, a definitive judgment was not possible because the terms of the agreement were not finalized. Further, arguably due to negotiators' need to make deals out of the limelight, the draft text is classified by the U.S. government and

not fully known. To the best of my knowledge, Peru's lead negotiators, most of whom are economists with careers in public service, are working hard to achieve terms that advance Peru's interest. But, at this time there is not a consensus in Peru that the TPP does so.³⁹

On the one hand, through the TPP, Peru would connect more deeply to a larger global network. The TPP would add five countries (Australia, Brunei, Malaysia, New Zealand, and Vietnam) to Peru's list of free-trade partners. It is also hoped that the TPP would help Peru to develop intermediate inputs and participate in Pacific-wide value chains. In general, Peru would continue to gain prestige as a member of the team of nations that "plays by the rules."

However, the TPP would entail costs. The most contentious issue is intellectual property.⁴⁰ The periods for the protection of copyrights and patents would be extended significantly—perhaps almost double the periods stipulated in the Peru-U.S. FTA.⁴¹ As a result, cheaper generic drugs would be introduced later and the cost of medicines would rise. Possibly also, the environmental provisions within the Peru-U.S. FTA could be tightened. Further, to the extent that the U.S. goal is geopolitical—to "pivot to Asia" and challenge China—this goal is not shared by Peru. Peru does not want to isolate China; indeed, it plans to join the Free Trade Area of the Asia-Pacific, which China is promoting.

As of mid-2015, the vast majority of Democrats in the U.S. Congress opposed the TPP and its prospects were unclear. The Obama administration achieved fast track negotiating authority (also called trade promotion authority) only after immense effort and the partisan division provoked concerns about U.S. gridlock and capacity.

As indicated above, at the same time that Peru was bolstering its economic ties with the U.S., it was also advancing them with many other countries. Peru reached out to China early and often. Toledo made a state visit in 2005, García in 2008, and Humala in 2013, and they also met frequently with their Chinese counterparts at APEC summits. García in particular was effusive; as of 2015, he had visited seven times.⁴² Humala was less enthusiastic; as a boy, he

had studied in Lima at a Japanese school and in 2004 he had served as Peru's military attaché to South Korea. (Indeed, at the start of Humala's government, he criticized China's unfair trade practices.⁴³)

Peru's ties to other Latin American countries have also grown. The most important new institution is the Pacific Alliance. Founded in 2011, the Pacific Alliance promotes the free flow of investment, trade, and people among Latin American member countries. It currently includes Peru, Chile, Colombia, and Mexico. As of 2014, tariffs had been eliminated on more than 90% of the four countries' trade, stock markets integrated, and visa requirements ended. Future plans include the coordination of monetary policies, the opening of joint commercial offices in Asia and Africa, and the bundling together of products to facilitate export. However, in the past Latin American blocs have been vulnerable to political shifts, and the Pacific Alliance could be as well; in particular, Chile's 2014-2018 president, Michelle Bachelet, is said to be less enthusiastic about the Alliance than the country's 2010-2014 president, Sebastian Piñera.

As Peru's economy opened and these diverse ties were established, both Peru's trade and investment jumped. It was also very advantageous that minerals prices skyrocketed. During this period, copper and gold comprised about 45% of the value of Peru's exports (and silver, zinc, and tin another 15%); between 2003 and 2013, the prices of both copper and gold roughly quadrupled.⁴⁴

Between 2000 and 2012, the value of Peru's trade more than quintupled and reached \$84 billion in 2013.⁴⁵ The U.S. remained--by a very narrow margin--Peru's most important trade partner (see Tables 8.1 and 8.2). Between 2007 and 2013, both Peru's exports to the U.S. and Peru's imports from the U.S. more than doubled. Increases were marked in Peru's exports of non-traditional agricultural products (especially asparagus, avocados, grapes, and mangos) and Peru's imports of U.S. machinery and computer equipment.⁴⁶ The ratio of exports to imports did not change dramatically, but overall favored Peru's imports of U.S. goods.

Insert Tables 8.1 and 8.2 here

However, the U.S. share of Peru's trade declined (see Tables 8.1 and 8.2). Most of the decline occurred prior to the initiation of the U.S.-Peru FTA, but the FTA did not reverse the trend. In 2000, the U.S. share of Peru's trade was about 25%; in both 2007 and 2013 it was roughly 19%. Preliminary figures suggest that the share for 2014 declined slightly.⁴⁷ The relative decline was primarily due to the boom in Peru's trade with China. In 2000, China was a minor trade partner for Peru, but by 2014-2015, it vied with the U.S. for the status as top partner.

Table 8.1

Peru's Exports: Value and Key Partners, 2000-2013

2000			2007			2013		
	Amount (billions of dollars)	Percentage		Amount (billions of dollars)	Percentage		Amount (billions of dollars)	Percentage
Total	\$6.7	N.A.		\$27.6	N.A.		\$41.9	N.A.
U.S.	\$1.8	27%		\$5.2	19%		\$7.4	18%
China	\$0.4	7%		\$3.0	11%		\$7.3	17%

Sources: Richard Webb and Graciela Fernández Baca, *Perú en Números 2014* (Lima:

Cuánto, 2008), 901-906; Webb and Fernández Baca, *Perú en Números 2008*, 1193-1197;

and Webb and Fernández Baca, *Perú en Números 2002*, 1192 and 1209.

Table 8.2

Peru's Imports: Value and Key Partners, 2000-2013

2000			2007			2013		
	Amount (billions of dollars)	Percentage		Amount (billions of dollars)	Percentage		Amount (billions of dollars)	Percentage
Total	\$6.8	N.A.		\$20.4	N.A.		\$43.3	N.A.

U.S.	\$1.6	24%		\$3.6	18%		\$8.8	20%
China	.3	4%		\$2.5	12%		\$8.4	19%

Sources: Richard Webb and Graciela Fernández Baca, *Perú en Números 2014* (Lima:

Cuánto, 2014), 901-906; Webb and Fernández Baca, *Perú en Números 2008*, 1193-1197;

and Webb and Fernández Baca, *Perú en Números 2002*, 1209.

Investment in Peru also jumped. Calculations are flawed because many investments are registered in third countries (usually tax havens), some investments are not registered at all, and precise criteria for “investment” vary.⁴⁸ However, according to Peru’s official data, in 1998-2002 Foreign Direct Investment (FDI) inflows into Peru averaged only \$1.5 billion annually, but in 2012 the inflow was about \$12 billion—more than eight times as much.⁴⁹ The increase between 2001 and 2012 was the greatest in Latin America save Paraguay.⁵⁰ In the official statistics FDI inflows into Peru between 2012 and 2014 declined about 35% (more severe than the average decline in Latin America of roughly 20%) but these statistics do not include most of China’s recent ventures.⁵¹

The United States is a very important investment partner. Although as of 2013 Spain held the largest share of FDI stock (20%), the U.S. held the second largest (14%).⁵² For both countries, their shares in 2013 were slight declines from their shares in 2001--23% and 19%, respectively.⁵³

Unfortunately, Peru’s investment agency, ProInversión, does not provide data for FDI inflows by country. However, U.S. companies have made significant investments since 2000. U.S.-based Hunt Oil is the lead company in the Peru LNG (Liquefied Natural Gas) project (approximately \$4 billion) and a participant in the Camisea gas project (roughly \$3.7 billion).⁵⁴ U.S.-based Freeport McMoran is the lead company in the development of the Cerro Verde copper mine (approximately \$800 million).⁵⁵ As mentioned above, U.S.-based Newmont Mining (which has a 51% share in Peru’s Yanacocha mine, South America’s largest gold mine) hopes to

develop the Conga project. Many of these projects--Camisea, Yanachocha, and the mining smelter in La Oroya mentioned above--have records of damage to the environment of near-by communities and their reputations in Peru are not stellar.

At the same time, China's investment has skyrocketed. Since roughly 2010, China has very likely been investing more than any other country has invested. Although for various reasons most of these investments were not included in Peru's official FDI statistics, in September 2014 the Peru-China Chamber of Commerce (CAPECHI) estimated that China's investment in Peru between September 2013 and September 2014 would be more than \$9 billion—equivalent to the investment of all other countries combined.⁵⁶ In 2014, in the largest transaction in Peru's history, the Chinese consortium MMG Limited acquired the Las Bambas copper project from an Anglo-Swiss company for approximately \$5.2 billion.⁵⁷ After delays, Chinalco (Aluminum Corporation of China) was developing the Toromocho copper mine; as of 2015 the company had invested more than \$3 billion.⁵⁸ For both the Las Bambas and Toromocho projects, China's companies are re-locating hundreds of families, but to date the companies appear to have improved their previous sub-standard practices and have overcome resistance.⁵⁹ With both Toromocho and Las Bambas, China owned about one-third of Peru's copper production.⁶⁰

Through 2015, China's investments in Peru were limited largely to mining and energy.⁶¹ But its interests are rapidly expanding into numerous sectors, including fishing and agriculture. Also, China has confirmed its sponsorship of a huge infrastructure project: a transcontinental railway through the Amazon that would link Brazil and Peru at a likely cost of more than \$10 billion (plus vast environmental damage).⁶²

Peru's economic ties to a range of other countries have also grown. In 2013, together the countries of the European Union were Peru's third most important trading partner, followed by a diverse set—Brazil, Japan, Canada, South Korea, Chile, Mexico, and Colombia (in that order).⁶³

However, since 2000, the share of Peru's trade with European Union countries (in particular Great Britain) has declined whereas the shares with Brazil, Canada, and South Korea have jumped.⁶⁴ As mentioned, the calculation of FDI stock is difficult, but it is likely that Spain, the United States, and China are the three countries with the greatest percentages of FDI stock; it is also likely that, together, other countries of the European Union are fourth, followed by three Latin American countries: Chile, Brazil, and Colombia (in that order).⁶⁵ The FDI stock of the Latin American countries has skyrocketed since 2000.⁶⁶ Brazil's Odebrecht was the lead company for the construction of an inter-oceanic highway between Brazil and Peru, which opened in 2012 at a cost about \$2.8 billion.⁶⁷ (However, the highway is hazardous and traffic has been lower than forecast.⁶⁸)

Cooperation on Security

For decades, counternarcotics and counterinsurgency have been key to the bilateral relationship. Both Presidents Toledo and García partnered with the U.S. and, most surprisingly, violating his campaign promises, Humala became an even closer partner. At the same time, the Humala government increased Peru's security cooperation with other Latin American countries, including Colombia, Brazil, and Bolivia.

From the 1970s through the mid 1990s, Peru was the world's largest producer of coca, and the Shining Path insurgency expanded into coca-producing areas and gained immense revenues. During this period, the Peruvian and U.S. governments clashed over counternarcotics strategies; Peru feared that the forced eradication of coca would fan the flames of the Shining Path insurgency and wanted greater economic aid for alternative development, whereas the U.S. prioritized forced eradication.⁶⁹ Then, in 1995, a policy called "air bridge denial" was introduced; with the assistance of U.S. intelligence, Peruvians shot down traffickers' flights between Peru and Colombia.⁷⁰ For Peru, air bridge denial had the major benefit that the targeting of traffickers rather than coca growers implied that growers and the Shining Path did

not strengthen their ties. Air bridge denial was an important reason for dramatic declines in coca cultivation in Peru (but concomitantly increases in Colombia). Table 8.3 shows that, as of 2001, cultivation in Peru was only about one-quarter of its 1995 level.

However, in April 2001, the U.S. terminated air bridge denial after a U.S. missionaries' plane was shot down and a U.S. missionary and her daughter were killed. Toledo repeatedly asked that air bridge denial be resumed with enhanced safeguards, but the U.S. declined; it was ultimately revealed that the April 2001 tragic error was not an aberration but that pilots' violations of legal procedures had been common.⁷¹ At the same time, Colombia was increasing coca eradication and--in what is called the "balloon effect"-- cultivation gradually shifted back to Peru (see Table 8.3).

Insert Table 8.3 about here

Table 8.3

Coca Eradication and Cultivation in Peru, 1995-2011*

	Number of hectares eradicated	Number of hectares in coca
1995	0	115,300
1996- 1999 (annual average)	6,820	62,250
2000	6,206	31,700
2001	6,436	32,100
2002- 2005 (annual average)	7,675	31,250
2006	10,137	42,000
2007- 2010 (annual	10,750	42,500

average)		
2011	10,300	49,500

*Figures are rounded.

Sources: For 1999-2011, U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report* and for previous years Cynthia McClintock and Fabián Vallas, *The United States and Peru: Cooperation at a Cost* (New York: Routledge, 2003), 115.

In response to the increasing cultivation, the Toledo government gradually stepped up eradication and the García government maintained its predecessor's effort (see Table 8.3). Interdiction, in particular the destruction of cocaine laboratories, also increased. Overall, the U.S. was pleased. At this time, almost all U.S. aid to Peru was related in one way or another to counternarcotics—eradication, interdiction, or alternative development and institution-building in coca-producing areas--and accordingly total U.S. aid was a rough measure of U.S. support for counternarcotics.⁷² Table 8.4 shows that, in current dollars, U.S. aid increased somewhat during the Toledo government (July 2001-July 2006).

Insert Table 8.4 about here

Table 8.4

U.S. Aid to Peru, 1990-2015 (Approximate*)

Years	Millions of current dollars
1990-1999 (annual average)	\$147.
2002-2006 (annual average)	\$172.**
2007-2011 (annual average)	\$115.**
2012-2015 (annual average)	\$90.**

*Especially for years prior to 2006, military aid provided through the U.S. Department of Defense was not necessarily included in reports of “total” aid.

**The sum for 2003 is “requested” and for 2006 and 2015 “planned.”

Sources: For 1990-1999, McClintock and Vallas, *The United States and Peru*, 6. For 2000, www.usaid.gov/country/lac/pe/pe_sumtabs.html, accessed June 16, 2001; for 2002 and 2003, “Andean Regional Initiative (ARI) FY 2002 Assistance for Colombia and Its Neighbors,” Congressional Research Service, February 14, 2002, 2 and p. 33; for 2004, “Foreign Aid: An

Introductory Overview of U.S. Programs and Policy,” Congressional Research Service Report for Congress, April 15, 2004,¹³; for 2005, “U.S. Foreign Assistance to Latin America and the Caribbean,” Congressional Research Service Report for the Congress, January 3, 2006, 7; for 2006-2015, www.foreignassistance.gov.

However, in the latter years of the García government, tensions erupted. Upon its inauguration, the Obama administration emphasized U.S. co-responsibility for the narcotics problem and promised to focus intently on prevention and harm reduction in the U.S. but, in Peru, U.S. policy did not change. Rather, U.S. aid began to decline (see Table 8.4). In public, García continued to endorse counternarcotics but also argued that U.S. support was woefully insufficient. The Obama administration countered that Peru’s economic growth was robust and Peru should be spending more of its own funds.⁷³ Although information about the large number of “narco-pardons” (pardons of jailed traffickers) made by García became readily available only subsequently, U.S. officials may have been aware of the pardons and, if so, were probably displeased.

At first, the prospects for cooperation between the Humala government and the U.S. on security appeared bleak. As a candidate, Humala opposed repressive anti-drug efforts. Upon his inauguration, he appointed Ricardo Soberón, a critic of U.S. drug policy, as Peru’s drug czar—head of DEVIDA (National Commission for Development and Life without Drugs); coca eradication was suspended. But, discussions between Humala and U.S. officials, in particular U.S. Ambassador Rose Likins, ensued and Humala changed course. In January 2012, Soberón was replaced by Carmen Masías, who had worked on counternarcotics for many years with U.S. AID and was highly respected by U.S. officials. Peru began to spend much more of its own money for military interdiction, eradication, and alternative development.⁷⁴ Security cooperation between Peru and the U.S. became “total.”⁷⁵

Perhaps, as a former military officer, Humala was persuaded to undertake ambitious counternarcotics efforts because, as in the 1970s and 1980s, counternarcotics and

counterinsurgency were intertwined. In the 2000s, remnants of the Shining Path insurgency were active in Peru's two major coca-producing areas, the Upper Huallaga Valley (UHV) and the Valleys of the Rivers Apurímac, Ene, and Mantaro (the VRAEM)--both in Peru's remote slopes east of the Andes. For a former lieutenant colonel, arguments about state sovereignty and political violence, even in these remote areas, would be expected to resonate.

In any case, counterinsurgency achievements were notable. The U.S. Drug Enforcement Administration (DEA) provided Peru new technology for communications interception and, in general, the U.S. government helped to improve the capacity of Peru's intelligence units.⁷⁶ In February 2012, the leader of the Shining Path faction based in the UHV, "Artemio," was captured. In August 2013, the government scored its first major success against the VRAEM faction of the Shining Path: "Gabriel," the younger brother of its two VRAEM leaders, and "Alipio," its VRAEM military head, were killed in an ambush.

At the same time, the Humala government increased coca eradication dramatically (see Table 8.5). Success was especially marked in the UHV. As a result of counterinsurgency, eradication, and alternative development in the UHV, the number of hectares in cultivation, which had begun to decline under García, continued to fall and as of 2012 the number was almost only half as much as in 2006.⁷⁷

Insert Table 8.5 about here

Table 8.5

Coca Eradication and Cultivation in Peru, 2011-2015

		Number of hectares eradicated (U.S. Department of State)	Number of hectares in coca (U.S. Department of State)	Number of hectares in coca (United Nations)
2011		10,300	49,500	62,500

2012		14,200	50,500	60,400
2013		23,800	59,500	49,800
2014		31,200	NA	NA
2015		35,000 (target)	TBD	TBD

Sources: U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report*, 2011-2015 and United Nations Office on Drugs and Crime, *Perú: Monitoreo de Cultivos de Coca*, June 2014; eradication target for 2015 from ConsultAndes, “Monthly Security Indicators,” Lima, February 2015, p.4.

Although the Obama administration was delighted, it did not increase its assistance; indeed, assistance declined (see Table 8.4). However, relative to other Latin American countries, the decline for Peru was small. Between 2010 and 2015, U.S. assistance to Peru fell approximately 23%; by contrast, U.S. assistance to Colombia fell 46% and U.S. assistance to Mexico fell 82%.⁷⁸ Similarly, in the Obama administration’s request for funds for International Narcotics Control and Law Enforcement for 2016, the amount for Colombia and Mexico dropped considerably relative to 2014 but increased for Peru.⁷⁹ In Peru, under Obama, roughly 45% of the aid was allocated for security forces, a similar percentage as under Bush.⁸⁰ (By contrast, the percentage for security forces in Colombia and Mexico had been larger under Bush and declined under Obama.⁸¹)

However, the problem of the VRAEM remained the elephant in the room. By 2012, approximately 40% of Peru’s coca was produced in the VRAEM.⁸² Recent military campaigns in the VRAEM had been unsuccessful. The García government had begun a campaign in 2008 but ended it about a year later after the Shining Path ambushed army patrols, attacked a police base, and brought down an army helicopter, with a death toll of 37.⁸³ An offensive under Humala in 2012 had met a similar fate. In 2014-2015, despite the counterinsurgency successes of 2013, remnants of the Shining Path remained active in the VRAEM. As in the 1980s and 1990s, Peruvian and U.S. analysts tended to disagree about what should be done. Most Peruvian

analysts feared that, if threatened with forced eradication, coca growers would look to the Shining Path for protection and the insurgency would be strengthened.⁸⁴ By contrast, DEVIDA's Carmen Masías and many U.S. officials believed that coca growers were abused by the Shining Path and would not oppose eradication if alternative development projects were sufficient.⁸⁵

In mid-2014, Humala opted to side with Peru's analysts; Masías was abruptly fired and replaced by former defense minister Luis Alberto Otárola. Through mid-2015, eradication in the VRAEM was not initiated; rather, the government expanded development programs. Also in mid-2014, the Humala government considered resumption of air bridge denial. The VRAEM is close to Bolivia, which had become the major corridor for drugs out of Peru; there were "dozens" of clandestine airstrips in the VRAEM and "at least" six flights a day between the VRAEM and Bolivia.⁸⁶ Peru's foremost investigative analyst, Gustavo Gorriti, and numerous other analysts favored a resumption of air bridge denial.⁸⁷

But, Peru did not have the technology to launch air bridge denial on its own. Peruvian officials approached the U.S. government, but it remained unwilling to participate.⁸⁸ U.S. officials cited Article 3 of the Convention on International Civil Aviation, signed in Chicago in 1944.⁸⁹ (A waiver from this convention was secured for Colombia, but the waiver process is onerous.) In March 2015, the Humala government submitted a bill for air bridge denial to Peru's congress; unauthorized aircraft disobeying orders to land could be deemed "hostile" and accordingly not protected by the Convention and shot down. But, the Humala government was aware of U.S. opposition to the program and, to date, has not pushed the bill forward.⁹⁰ As of mid-2015, it appeared that Peruvian and U.S. officials were compromising: traffickers' planes would not be shot down but would be pursued aggressively until they landed. This effort is logistically more difficult than air bridge denial and not as significant a deterrent, but, in 2014, 18 traffickers' planes were seized and this number could increase.⁹¹

While the Humala government's security ties with the U.S. were the closest of any country, its ties with Colombia, Brazil, and Bolivia were expanding. With respect to Colombia, the Obama administration was supporting what it called "triangulated security cooperation"-- cooperation among the U.S., Colombia, and third countries such as Peru, in part for reasons of cost-effectiveness.⁹² Increasingly, Peruvian military and police have trained in Colombia. A particularly successful effort was the arrest in Colombia of Peruvian fugitive drug kingpin Rodolfo Orellana in November 2014; he was captured by Peruvian police with the support of Colombian police and the DEA.⁹³

With respect to Brazil and Bolivia, Peru expanded security cooperation without a U.S. role. Indeed, the Humala government appeared to perceive cooperation with Brazil as a possible alternative to cooperation with the U.S. on air bridge denial; Brazil may have developed aircraft with the necessary intelligence capabilities.⁹⁴ Similarly, Peru and Bolivia have worked together to intercept flights and seize planes, and both countries could also be interested in cooperation with Brazil to this end.⁹⁵

Unfortunately, Peru's counternarcotics achievements were victories in a battle, not the war. As Table 8.5 showed, despite the Humala government's record eradication, it was not clear that overall coca cultivation was declining; the United Nations reported a decline in 2013 (the most recent year for which data are available), but the U.S. Department of State reported an increase. The balloon effect continued; after cultivation declined in the UHV, it increased in the VRAEM; and, in 2015, as cultivation was threatened in the VRAEM, it shifted towards the remote northern-jungle areas of Loreto and Ucayali.⁹⁶ Further, it was estimated that almost half of the coca that was eradicated was re-planted, and yields per hectare were rising. There was no indication that Peru's results were affecting the availability of cocaine. And, evidence was abundant that drug-trafficking revenues were increasingly contaminating Peru's politics.

Additional Issues on the U.S.-Peru Agenda: Democracy

Since 2001, Peru and the United States have usually been in agreement on issues of democracy and human rights. However, as in other Latin American countries, most Peruvian leaders perceive the U.S. record in democracy promotion as flawed and doubt U.S. sanctions as an effective strategy against authoritarianism in the hemisphere. To the frustration of the Obama administration, Peru stood with UNASUR (Union of South American Nations) in its restrained response to political abuses in Venezuela under President Nicolás Maduro.

Historically, the U.S. commitment to democracy has been questioned in Peru. In an extremely salient dispute between the International Petroleum Company and the democratically elected 1963-1968 government of Fernando Belaúnde, the U.S. government defended the company and, in part as a result, the Belaúnde government fell to a military coup.⁹⁷ In the 1990s, sectors of the U.S. government opposed the increasing authoritarianism of the government of Alberto Fujimori (1990-2000), but other sectors did not.⁹⁸ This has continued to be criticized in Peru. Interviewing departing U.S. Ambassador Likins, the journalist for Peru's leading, pro-business newspaper *El Comercio* asked her repeatedly about U.S. ties with Fujimori's spymaster, Vladimiro Montesinos.⁹⁹ There were also repeated questions about Wikileaks, Edward Snowden, and U.S. eavesdropping.¹⁰⁰ In a 2014 Pew survey, only 48% of Peruvians believed that the U.S. government "respects the personal freedoms of its people," versus 30% who believed that it does not.¹⁰¹

After Montesinos and Fujimori fled Peru in 2000, Peru's interim government sought to bring them to justice, and for the most part the U.S. was helpful in this effort. Amid an international manhunt for Montesinos, in 2001 the Federal Bureau of Investigation arrested one of his accomplices in Miami, who provided the location of Montesinos' hide-out in Venezuela; Montesinos was immediately captured and extradited to Peru, where he was convicted on human-rights and corruption charges. Subsequently, in 2005, apparently hoping to enter Peru's 2006 presidential race, Fujimori left his safe haven in Japan for Chile, where he was arrested and

extradited to Peru. The trial was aided by the release of classified documents from the U.S. Department of State, but not from the U.S. Department of Defense or the CIA.¹⁰² In 2009, Fujimori became the first former Latin American president to be convicted in his own country on human-rights grounds. The Obama administration praised the verdict.¹⁰³ As of 2015, both Montesinos and Fujimori remained in prison.

After the demise of the Fujimori government, new presidential elections were held in mid-2001 and the winner was Toledo, a firm believer in democratic principles. Peru was the key catalyst of the most important document to date committing the hemisphere to democracy: the Inter-American Democratic Charter. Appropriately, it was signed in Lima at an OAS General Assembly in September 2001. Subsequently, the Toledo government promoted additional initiatives for the deepening of democracy in the hemisphere.¹⁰⁴

Although García's personal views about democracy are likely to be complex, his 2006-2011 government was aligned with the U.S. on issues of democracy. During Peru's 2006 presidential campaign, García and Chávez had a public spat, and throughout his term García was critical of Chávez. Further, following the lead of the Obama administration, the García government immediately recognized the controversial November 2009 elections in Honduras (which many Latin American countries did not).¹⁰⁵

Humala's personal views about democracy may be more complex even than García's. However, fears that Humala would violate the rules of the democratic game did not come to pass. Indeed, the Humala government made greater strides than its predecessor did in the implementation of the human-rights recommendations of Peru's Truth and Reconciliation Commission.¹⁰⁶

Yet, Peru stood with other Latin American countries in the rejection of U.S. sanctions against authoritarianism in Cuba and Venezuela. At the Summit of the Americas in 2012, all Latin American countries demanded that Cuba be allowed to participate in the next Summit in

2015. When the rapprochement between the U.S. and Cuba was announced in December 2014, Peru was delighted. Media coverage was intensive and overwhelmingly enthusiastic.¹⁰⁷

For the most part, the Humala government endorsed UNASUR's uncritical posture towards the Maduro government. After serious protests against the Maduro government in 2013 and 2014, the Obama administration hoped for Latin American support for a dialogue between the Venezuelan government and opposition, and most Peruvian elites did as well. However, when Foreign Minister Rafael Roncagliolo called for a dialogue in May 2013, Maduro protested, and Humala appeared to take Maduro's side; albeit citing health reasons, Roncagliolo resigned. In March 2015, after the Obama administration cited a threat to U.S. national security when it imposed sanctions against various Venezuelan officials implicated in human-rights violations or drug-trafficking, UNASUR met in Quito and all the South American foreign ministers repudiated the U.S. decision. (Peru did, however, ask that the International Red Cross be given access to Venezuela's prisons.¹⁰⁸) Besides skepticism about U.S. policy, the most likely reason for the Humala government's concurrence with UNASUR is a perception that opposition would be at best futile (given the large number of countries in ALBA and the Caribbean that support Venezuela) and at worst risky (given that Peru borders two ALBA countries as well as Brazil, which has also been friendly to Venezuela).¹⁰⁹ Nor can the possibility of a lingering affinity between Humala and Maduro's Venezuela be ruled out.

Additional Issues on the U.S.-Peru Agenda: Climate Change

The problem of climate change is very serious in Peru. Peru is not among the countries that caused the problem but is among those very vulnerable to its effects.¹¹⁰ Peru is home to mountain glaciers that are rapidly melting; in the near future, Peru's water supply may be devastated. Like most Latin Americans, an overwhelming percentage of Peruvians are concerned about climate change.¹¹¹ Peru would like a commitment from the U.S. (and from China) to larger, mandatory reductions in their emissions of greenhouse gases (and also to

greater financial support for the combating of climate change¹¹²). But, Peru has pursued these goals constructively, understanding that the large number of climate skeptics and deep partisan divides in the U.S. constrain the Obama administration.

At recent climate summits, Peru has been among the Latin American countries trying to mediate between the positions of the U.S., on the one hand, and of China, other BRICS countries, and ALBA, on the other. The U.S. has argued that developing countries must do their part, “contributing” to the reduction of emissions. By contrast, China, other BRICS countries, and ALBA have argued that “contributions” should be “differentiated;” in this view, developed countries have a “climate debt” and it is only these countries that must commit to major, legally binding reductions. In 2012, Peru, Chile, Colombia, Costa Rica, Guatemala, and Panama formed AILAC (Independent Alliance of Latin America and the Caribbean); it supports the view of China, other BRICS countries, and ALBA that the contributions of developed and developing countries should be “differentiated,” but also supports the U.S. view that developing countries should contribute, “according to their capacities.”¹¹³

As mentioned above, in December 2014 Peru hosted the 20th Conference of the Parties to the United Nations Framework Convention on Climate Change, commonly called COP 20. Its president was Manuel Pulgar-Vidal, Peru’s minister of the environment. The only Latin American country that had previously hosted a COP was Mexico in 2010 and Peru was pleased to showcase leadership on climate change.¹¹⁴ Among the 10,000-odd delegates were Presidents Michelle Bachelet, Enrique Peña Nieto, and Juan Manuel Santos and U.S. Secretary of State John Kerry. President Obama sent a video message.

The goal was to draft an accord to be approved at COP 21 in Paris in 2015 and become the successor to the 1997 Kyoto Protocol. Negotiators were hopeful that momentum would be provided by a November 2014 agreement between the U.S. and China in which the Obama administration pledged a 26% to 28% cut below its 2005 level of emissions by 2025 and China

pledged that its emissions would peak by 2030 and decline thereafter. The Obama administration's pledge was applauded by Peru's Pulgar-Vidal and many other delegates.¹¹⁵

However, the results of the conference were modest. The minimal goal of a draft document for COP 21 in Paris was achieved, but only after the prolongation of the conference by more than a day and "valiant" efforts by Pulgar-Vidal.¹¹⁶ The participating countries agreed only that each country should submit its own voluntary plan for the reduction of emissions.

Why Did Peru Partner with the U.S?

As mentioned in the introduction, Peru's cooperation with the U.S. in the twenty-first century was surprising. The question of why Peru chose cooperation is important because the answer provides insights into the potential for the continuation of cooperation. If Peru chose cooperation because of the structure of economic opportunities or its set of political values, cooperation is more likely to continue. On the other hand, if Peru chose cooperation because of chance happenings and personal ties among leaders, it is less likely to continue. I believe that both structure and contingency played a role.

With respect to the structure of economic opportunities, Peru is a Pacific-coast country, and Latin America's Pacific-coast countries have been more inclined to perceive advantage in economic openness than Atlantic-coast countries. Of course, the potential for close economic ties with Asian countries is greater. Further, Lima is located near the center of South America's Pacific coast and is the only South American capital directly on the coast; this location facilitates Peru's potential as a transportation hub.

In addition, relative even to Colombia and Chile, Peru enjoys vast, diverse mineral and energy resources; Peru is among the top five global producers of copper, gold, silver, zinc, and tin.¹¹⁷ These resources are attractive not only to China but also to many countries that prefer to invest in nations committed to sound economic management.

It does not appear that Peru chose cooperation with the U.S. because of Peruvians' markedly pro-U.S. values. In most surveys, the percentage of Peruvians with a "very good" or "good" view of the U.S. has been similar to or slightly below the Latin American average and the percentage of Peruvians with a "good" or "very good" view of China also similar to or slightly above (in 2013, roughly 68% with a "good" or "very good" view of the U.S. and 55% with a "good" or "very good" view of China).¹¹⁸ Also, Peruvians' preference for democracy is only similar to the Latin American average.¹¹⁹

Contingency and presidents' agency mattered. In the case of Toledo, he is committed to democratic and market principles. Although Toledo was dismayed that the Clinton administration had been amicable with Peru's Fujimori, he is at heart a close friend of the United States.¹²⁰ Born into poverty in Peru's highlands, he had been helped by Peace Corps volunteers to study in the U.S. and ultimately earned both his B.A. and Ph.D. degrees at Stanford University. At the end of Toledo's term, he returned to Stanford University.

For García, the road to partnership was more convoluted. During García's first term (1985-1990), he had antagonized the United States. In his 1985 inauguration speech, he had called the U.S. "the richest, most imperialist country on earth;" he had proclaimed that Peru would strictly limit its debt service and tried to lead other Latin American countries to do so as well. His government's fiscal policies had led to quadruple-digit inflation and economic devastation, which had fanned the flames of the Shining Path insurgency. Not surprisingly, in the 2006 election many U.S. officials were nervous about García.¹²¹ But, García was re-inventing himself. He said that he had learned from his mistakes during his first administration and implied that he had learned that conflict with the U.S. was not in Peru's interest. As Peru's economy was growing and more Peruvians were favoring market economics, García extolled the virtues of agricultural exports for Peru's rural poor.

The FTA negotiations kept García and Bush close. But, after the approval of the FTA in the first weeks of the Obama administration, relations tempered. Virtually upon Obama's inauguration, García sought a meeting with Obama, but did not achieve it until June 2010; although the meeting went smoothly, García felt slighted.¹²² Also, in 2009, García launched an initiative that he hoped would resonate in both the U.S. and Latin America: a reduction in regional military expenditure.¹²³ The proposal was popular in Peru and Ambassador Likins called it García's "signature proposal."¹²⁴ However, the Obama administration's response was minimal and García was disappointed.¹²⁵ García was even more irritated after the December 2010 release by Wikileaks of a 2006 cable from the U.S. Ambassador to Peru stating that García had a "colossal ego."¹²⁶

Ironically perhaps, the U.S.-Peruvian relationship was closer under Humala because of its poor start; both Obama and Humala decided that the damage should be repaired. Prior to Humala's election in 2011, most U.S. officials were skeptical of him. A *mestizo* former lieutenant colonel, Humala had campaigned in 2006 as a fiery ally of Hugo Chávez. Humala had been charged with human-rights violations amid Peru's 1980s counterinsurgency campaign and denied a U.S. travel visa. Although in the 2011 campaign Humala emphasized his proximity not to Chávez but to Lula, U.S. officials believed that Chávez continued to support Humala. Officially, the Obama administration was neutral, but the U.S. Embassy was clear that it was unhappy about the prospect of Humala's presidency.¹²⁷ At the same time, other U.S. officials were concerned that a U.S. stance against Humala could backfire. In particular, Assistant Secretary of State for Western Hemisphere Affairs Arturo Valenzuela emphasized that Humala was competing democratically and could continue to moderate.¹²⁸ In 2010, the U.S. government granted Humala a travel visa and, when he visited Washington, Valenzuela met him at the airport.

After Humala's election, the Obama administration went the extra mile and Humala was responsive.¹²⁹ In June 2011, prior to his inauguration, Humala visited the U.S.; although traditionally U.S. presidents are cautious about meetings with president-elects, Obama "dropped in" at a meeting with Humala and stayed longer than had been expected; by all accounts, Humala was delighted. In November 2011, Humala and Obama met at an APEC meeting in Hawaii and again in April 2012 at the Summit of the Americas; apparently the two presidents warmed to each other's concerns for social inclusion and liked each other. Most recently, Humala's meeting with Obama in Washington in June 2013 went smoothly.

Between 2006 and 2012, Humala's political shift was dramatic. Clearly, Humala is not a committed ideologue; he has been called a "no-convictions politician" with a "flexible character."¹³⁰ It seems likely that, as Humala faced the challenges of governing, he evaluated more intently the policies that would and would not benefit majorities of Peruvians. It also seems likely that, in this assessment, his interactions not only with his own ministers but also with Obama, Valenzuela, Likins, and other U.S. officials played a role. Perhaps they brought to Humala's attention carrots that the U.S. government still has at its disposal, especially for counterinsurgency; in any case, Humala decided it would be most advantageous to be a "team player."

The Humala government did secure additional gains from the U.S.—although it would have liked more.¹³¹ Immigration issues have long been salient in Peru; most Peruvians favor reforms to U.S. immigration laws that would grant undocumented Peruvians in the U.S. a path to citizenship. They also favor streamlined, transparent U.S. consular processes, and the U.S. did take some steps to this end. In addition, the Humala government sought an increase in U.S. fellowships for Peruvian students at U.S. universities and in U.S. cooperation on Peru's citizen-security programs—in both cases, with a modicum of success.

Conclusion and Prospects for the Future

Overall, the robust cooperation between Peru and the U.S. in the first fifteen years of the twenty-first century stood Peru in good stead. Peru prospered and almost all of the country was peaceful; state capacity and soft power skyrocketed. Accordingly, it seems likely that cooperation will continue. (Indeed, in its many FTAs, Peru is committed to market openness.)

However, as Peru has grown, it is also identifying and advancing its own interest more rigorously. Peru has built ties not only with the U.S. but with a spectrum of countries, and Peru might turn more towards these new partners. As of 2015, it appeared that concerns about the Trans-Pacific Partnership and the allure of China's first major infrastructure investment might turn Peru more towards China. And it appeared also that tensions with the U.S. on counternarcotics strategy might turn Peru more towards its Latin American neighbors.

It is, of course, possible that the various changes in the international system in the twenty-first century noted in Chapter 1 will intensify and U.S. power will be further diminished. Conflict between the U.S. and China could become pronounced; the U.S. economy could again fall into recession; severe executive-legislative gridlock could continue; and the U.S. president elected in 2016 could make mistakes similar to those made by President George W. Bush. In Peru, the Democratic Party is overwhelmingly preferred to the Republican Party; in 2012, Peruvians preferred Barack Obama to Mitt Romney by a ratio of more than 6 to 1.¹³² If various policies adopted by the Obama administration (a respect for the complexity of the issues about extractive industry and a concern for the environment and climate change; the relative restraint towards Venezuela and other countries at odds with the U.S.; and the rapprochement with Cuba) were to be reversed, the shifts would not be welcome in Peru.

Also, much as Peru has developed in the first fifteen years of the twenty-first century, there is not a robust consensus within the country firmly in favor of democracy and the market. Peruvians have been critical of their political leaders and of Peru's continued dependence upon commodities for economic growth; amid the current reduction in growth, criticism is likely to

become more intense. As noted above, Peru partnered with the U.S. in part because of presidents' agency: Toledo's strong pro-U.S. values, García's need to change his political brand, and the unusual degree of engagement with Humala by the Obama administration after a tense start. Currently, all the leading candidates for Peru's 2016 presidential election favor friendly relations with the U.S., but in the past Peru's elections have taken surprising turns.

In short, Peruvian and U.S. leaders are shaking hands, but they are not embracing. In the international system of the twenty-first century, in which U.S. power has declined and power is much more diffuse than in the past, this handshake is likely to continue, but it might become less firm.

¹I am grateful for valuable comments on drafts of this chapter by the participants at the Authors' Meeting in Mexico City on February 13-14, 2015, especially Cynthia Arnson, Jorge Domínguez, and Rafael Fernández de Castro. I would also like to thank Barnett Koven, Ph.D. candidate at George Washington University, who partnered with me in the research on security issues that I incorporated into this chapter. And I very much appreciate the many insights of the colleagues and friends who have conversed with me in Lima in recent years, especially Ambassador Juan Carlos Capuñay, currently Ambassador of Peru to China; Eduardo Ferrero, former Ambassador of Peru to the United States and Partner, Estudio Echeopar; Alejandro Neyra, Communications Director, Peru's Foreign Ministry; Rafael Roncagliolo, 2011-2013 Foreign Minister of Peru; and scholarly experts Gustavo Gorriti, Claudio Herzka, Enrique Obando, Martin Scurrah, and John Youle. These conversations are cited below as "author's interviews."

²With respect to Presidents García and Bush, comments by Kevin Whitaker, Director of the Office of Andean Affairs, U.S. Dept. of State, at the Center for Strategic and International Studies, January 16, 2009; Peru's Ambassador to the U.S., Felipe Ortiz de Zevallos, "Peru on the Global Stage," at George Washington University, October 15, 2008; and Carlos Basombrío, "The Outlook for Chile and Peru," at the Inter-American Dialogue, May 20, 2009. With respect to Presidents García and Obama, comments by the 2007-2010 U.S. Ambassador to Peru, Michael McKinley, at "A Conversation with U.S. Ambassadors to the Andean Region," The Brookings Institution and the Inter-American Dialogue, January 22, 2010 and Peru's Foreign Minister José Antonio García Belaunde, at a "A Conversation with José Antonio García Belaunde," at the Inter-American Dialogue, March 30, 2010. With respect to Presidents Humala and Obama, comments by Peru's Ambassador to the U.S., Harold Forsyth, at the Council of the Americas, December 7, 2011; U.S. Ambassador to Peru, Rose Likins, in an interview with *Cuarto Poder*, July 15, 2012; and author's interviews, Deputy Chief of Mission at the U.S. Embassy in Peru, Michael J. Fitzpatrick, May 8, 2014, in Lima; U.S. Ambassador to Peru, Brian Nichols, March 10, 2015, in Lima; and Jorge Ponce, Political Counselor, Peru's Embassy to the U.S., in

Washington D.C., April 29, 2015. Further, in a 2009 Latinobarometer poll, 74% of Peruvians classified Peru's relations with the U.S. as "good" (the average percentage among Latin American countries); see "América Latina Mira al Mundo 2010" at www.latinobarometro.org.

³In author's interviews, U.S. and Peruvian officials (including Rafael Roncagliolo, 2011-2013 Foreign Minister of Peru, in Lima, May 11, 2014) often used the word "pragmatic" to describe the Humala government's foreign policy-making.

⁴Off-the-record comment by a former high-ranking Peruvian diplomat, Lima, 2012.

⁵"Entrevista: Rafael Roncagliolo," *El Comercio*, July 24, 2011, A2.

⁶Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean," *CEPAL News*, various editions, at www.eclac.org.

⁷Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview," 2014, Table A-2.

⁸Shane Hunt, "Seeking Progress in Twentieth-Century Peru: What the Numbers Show," *ReVista: Harvard Review of Latin America*, Vol. XIV, No. 1 (Fall 2014): 15.

⁹"Caída de la pobreza es constante desde el 2004," *La República*, May 10, 2014, 2-3. The data are official figures from INEI (Instituto Nacional de Estadística e Informática); the method of calculation changed between 2002 and 2013 and figures are not entirely compatible, but experts concur that the trend was positive.

¹⁰Richard Webb and Graciela Fernández Baca, *Perú en Números 2013* (Lima: Cuánto, 2013), 1139-1140.

¹¹Cynthia McClintock, "Like Bush, Has Obama Only Good Intentions? The Case of U.S.-Peruvian Relations, 2001-2012," Paper presented at the Latin American Studies Association meeting, San Francisco, CA, May 23-26, 2012, 7.

¹²Richard Webb, *Conexión y despegue rural* (Lima: Universidad San Martín de Porres and Instituto del Perú, 2013).

¹³Richard Webb and Graciela Fernández Baca, *Perú en Números 2012* (Lima: Cuánto, 2012), 402.

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⁶⁵For the reasons mentioned above, in the official data China is only a minor investor; by contrast, Great Britain and the Netherlands are major investors, but this is due largely to their off-shore dependencies. Except for these countries, my rankings follow the official data in Webb and Fernández Baca, *Perú en Números 2014*, 949.

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