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Peru's Multidimensional Challenge – Part 2: the economic crisis, public insecurity, and organized crime

By Evan Ellis / November 15, 2020



VRAEM region in Peru, photo credit: Defense Ministry of Peru

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[\[To read Part 1 of the Peru's Multidimensional Challenge series, "the political crisis," visit here.\]](#)

The November 9, 2020 vote by the Peruvian Congress to remove President Martin Vizcarra over serious, credible bribery allegations took many in the country by surprise and plunged Peru into a period of political uncertainty. While most in Washington have been focused on the United States' own contested election, developments in Peru highlight the very serious crisis that the United States' strategically important partner is facing. The crisis involves not only the extensive corruption in Peruvian politics that has seen five of the nation's presidents jailed since 2000, but socioeconomic stresses deepened by the COVID-19 pandemic, and a grave, multidimensional security challenge.

That challenge includes expanding coca production, illegal mining and timber activities, a small but persistent terrorist threat, an emerging new criminal hub in the tri-national frontier with Brazil and Colombia, and rising public insecurity in the context of the health and socioeconomic crisis created by the COVID-19 pandemic. As of October 2020, the virus had infected over 922,000 and killed 35,000 while simultaneously causing the economy to shrink by almost 10% over the previous year. The economic distress has created social unrest, and for those most vulnerable, incentives to turn to the criminal economy.

This article is the second in a three-part series examining the multidimensional and mutually reinforcing challenges facing Peru. The present article examines the security dimensions of the challenge and the government's response.

Transnational organized crime

Peru is integrated into the international criminal economy in multiple, reinforcing, difficult to address ways. In the context of COVID-19, the problem is both becoming worse and evolving on all fronts.

Transnational criminal activity in Peru is enabled by both internal and external factors. Lack of economic opportunity and a large informal sector (more than 70% of all economic activities by some calculations) creates a substantial base of people available to participate in a clandestine marketplace built from growing and transporting coca to working in the

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informal mines to human trafficking and prostitution. The informal, cash-based economy also enables criminal enterprises to launder and conceal the sources of their ill-gotten gains.

In addition, criminal networks in Peru are nourished by the market conditions and state of infrastructure in its neighbors as well as by the broader international economy. The demand for cocaine (from Europe, and to a lesser extent, the U.S. in the case of Peru), feeds demand for coca cultivation, its chemical transformation into cocaine, and its transport from the country through multiple routes, including through Bolivia and Brazil to South America's Atlantic Coast, or alternatively, through Chile to Asia. Similarly, global demand for gold feeds the illegal mining sector, with Bolivia often playing a key role in exporting, and laundering the origins of the gold through its own less controlled mines.

Illegal mining

In October 2020, Peruvian security forces entered and executed a major operation against illegal mining in La Pampa, in the Department of Madre de Dios. The operation, which destroyed 41 illegal mining sites, was both an illustration of the government's commitment to combatting the problem, and to its intractability. The operation came less than two years after the government's deployment of 500 security forces to the same area, part of 1,800 security forces sent to the region in Operation Mercurio, an effort which at best, temporarily dispersed illegal mining activities to other areas.

Informal mining, much of which is unlicensed (illegal) occurs throughout most of Peru, but the southern province of Madre de Dios and the adjacent provinces of Puno and Junin have received the greatest attention for the damage caused to the environment by deforestation and the indiscriminate use of lethal substances like mercury, which poisons the water and

surrounding ecosystem. The zone became a priority for the Peruvian Army with Operation Mercury in February 2019, and again in more recent follow-on operations—although those efforts merely temporarily displaced those mining operations to other parts of the country. The COVID-19 pandemic also had a modest, temporary effect in reducing illegal mining as restrictions on internal movement impeded the ability of miners to transit between the sites and their homes elsewhere in the country, although such activities were not halted by the pandemic.

Coca production, transformation, and smuggling

Peru's other major illicit industry, coca production and its transformation into cocaine, is expanding dangerously. The U.S. Office of National Drug Control Policy estimates that Peru had a total of 72,000 hectares of coca under cultivation in 2019, representing a potential annual production of 705 metric tons per year, an increase of almost 50 percent over the prior year, and potentially flooding Peru's criminal economy with money. The report lamented Peru's lack of progress and called for the need for more concrete results against the growing threat.

Coca production in Peru is principally concentrated in the Apurimac, Ene, and Mantaro river valley (VRAEM). This valley is also the focus for the remnants of the Quispe Palomino branch of the Sendero Luminoso organization, which taxes, protects, and to some degree participates in the illicit trade. In recent years, coca production has also spread to adjacent geographies and to the north along the borders with Ecuador and Colombia. The lowland jungle conditions reduce the chemical yield per coca plant, but the government presence is also considerably lower.

Although Peruvian security forces and their Colombian partners have executed operations against criminal and terrorist groups in the border region in recent years, the problem persists outside the vision of the press.

The growing illicit activities include, but not limited to coca growing and transport of illicit goods near the triple border with Brazil and Colombia have made that zone an emerging hub of the regional criminal economy.

In the upper Huallaga valley, once another major coca growing region, the government's 2012 capture of the Sendero Luminoso faction leader, Artemio, allowed authorities to significantly expand eradication operations there. Nonetheless, since 2016, coca production has begun to re-emerge in that region as well.

In the VRAEM, the counterdrug organization DEVIDA, under the leadership of Ruben Vargas, begun manual eradication in 2019 as part of an integrated strategy that was to include continued development of the region. The limited, initial eradication efforts were temporarily suspended due to COVID-19 restrictions, but have since resumed.

Small aircraft carrying cocaine and other illicit cargos continue to depart the numerous clandestine landing strips in the VRAEM, which are occasionally cratered by the government and then quickly filled back in by contracted locals. Since 2015, Peru has had a law in place which would allow it to shoot down suspected narco-aircraft transiting the region without a flight plan, as well as two radars to assist in the detection and interception of aircraft. However, at the insistence of the U.S. military, which maintains a close security relationship with Peru, and following the accidental downing of an aircraft carrying a missionary and her child in 1992, Peru has not attempted to shoot down any aircraft. Nonetheless, the government's ability to detect and theoretically shoot down aircraft reportedly has some deterrent effect.

Sendero Luminoso

The Peruvian government continues to achieve periodic small successes against the terrorist group Sendero Luminoso in the VRAEM, including a

September 2020 operation killing a local commander, Cirilo and four others, and seizing 500 kg of coca. Despite such occasional achievements, the situation of Sendero Luminoso in the VRAEM remains remarkably unchanged, with an estimated 200-450 combatants and supporters hidden among the population despite 52 government bases totaling 8,000-10,000 security forces in the region. The remnants of Sendero Luminoso reportedly live off illicit revenues and present a low-grade military threat that makes eradication of coca crops difficult, including the ambush of a unit of the army-police task force COIEC on October 29, 2020, killing two and injuring five.

Beyond Sendero Luminoso, the names of whose factions and key leaders regularly appear in the press, the participants in Peru's criminal economy are surprisingly anonymous. In contrast to drug cartels in other parts of Central and South America, such as Mexico, aside from individual persons who are sought or detained, the groups that smuggle the precursor chemicals into the country, grow the coca, transform it into cocaine, smuggle it out of the country, and launder the associated income are simply referred to as "family clans."

The impact of COVID-19

The COVID-19 pandemic has caused a short-term inconvenience to criminal revenue generating activities by inhibiting drug smuggling across borders (which have been closed and secured by the expanded presence of the Peruvian military) and reducing the market for the nation's coca. On the other hand, the pandemic has benefitted criminal organizations in other important ways. The diversion of security forces to enforce curfews, control borders, distribute medical supplies and care packages, and even produce sanitizer and protective equipment in support of the government pandemic response, has diverted leadership attention and resources from

operations against criminal and terrorist groups, facilitating those groups' exercise of control over the spaces in which they operate.

Over the long term, Peruvian government spending on social programs and other elements of the pandemic response (more than any other country in Latin America as a fraction of GDP) may take funding away from activities that could impact criminal activities, from crop substitution programs and the construction of supporting infrastructure, to the reform of institutions and development of capabilities to combat the threat.

The Peruvian Armed Forces response

In the context of these challenges, the Peruvian Armed Forces are working to transform themselves to more effectively support whole-of-government efforts to combat the evolving challenges, coordinating with neighbors such as Colombia and Brazil and other states in the region. The Peruvian Navy, in conjunction with other state entities, has deployed three riverboats (Plataformas Itinerantes de Acción Social – PIAS) that bring government services such as administrative transactions, banking, and medical care to remote areas works. Three PIAS are already in operation in the Putumayo River along Peru's northern border near Iquitos (and the criminal tri-border area in the northeast) and in Lake Titicaca at the Bolivian border in the southeast (southeast of the illegal mining region of Madre de Dios).

The Peruvian Army has similarly deployed “Green Civic Action Convoys” (COVACs), and is currently developing a terrestrial version of the PIAS concept to bring government services to other remote areas through ground vehicles (Convoyes Itinerantes de Acción Social – CIAS). As part of its force transformation initiative, the Army is also working toward new “Amazon Protection Brigades” to be deployed near the border to help provide protection against illegal logging and other illicit activity in those

areas. It has a further vision of developing a string of new technology-enabled security outposts and population centers along its borders that would support stronger state presence there, not unlike what neighboring Brazil has sought to do with its own frontier system ([SISFRON](#)).

While such innovative initiatives hold promise, Peru has a long history of the subversion of good ideas by vested and illicit interests and inadequate or misappropriated resources. With multiple, expanding threats to the nation from criminality, terrorism, and political, economic, and budgetary pressures from the pandemic, much work remains to be done.

Conclusion

In the context of such challenges, other actors such as the People's Republic of China, are leveraging those economic needs and vulnerabilities to expand their commercial presence and influence in the country, offering new sources of trade, loans, and investments whose long-term benefits to Peru are questionable. The next article in this series will examine the growth of the Chinese economic footprint, and its associated influence and the implications for the country, the region, and the United States.

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