China upgrades trade deal with Peru as Washington struggles to preserve US domination of South America

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`China's upgraded free trade agreement with Peru, which entered into force on November 1, is another setback for Washington's attempt to reassert its domination over Latin America through Trump's "Donroe Doctrine."

Peru has become a strategic battleground in the growing conflict between declining US imperialism and China's expanding economic power.

China buys more than one-third of Peru's exports, and its investments in copper mining and the Chancay megaport are transforming South America's economic relations with Asia. Unable to reverse this through economic competition, Washington increasingly resorts to political interference, intimidation and military pressure.

The struggle over Peru exposes the fundamental contradiction between the international development of the productive forces and the nation-state system, which inevitably leads to war as Washington seeks to preserve its political and military supremacy over an entire hemisphere and the world.

China's economic advance: Peru and Chancay

In 2025, Peru exported US$32.6 billion in goods to China, 36.2 percent of its total exports, compared with US$10.15 billion, or 11.3 percent, to the United States. China is also Peru's largest supplier, accounting for nearly 29 percent of imports in 2024.

Washington, which historically regarded Latin America as its exclusive sphere of influence, confronts a direct challenge from China, whose industrial expansion has created enormous demand for copper, iron ore and other strategic minerals.

The Chinese-controlled Chancay megaport marks a qualitative advance in this process. Inaugurated in November 2024, its first phase involved an investment of approximately US$1.3 billion. Between January and July 2026 the port handled 246,452 twenty-foot equivalent units (TEU), nearly 75 percent more than a year earlier.

Even more significant is the proposed transcontinental railway linking Brazil's Atlantic coast with Peru's Pacific coast, which would make Chancay a major outlet for South American agricultural and mineral exports bound for Asia, bypassing routes long dominated by US interests. Washington's opposition is therefore not directed merely against individual Chinese investments. It seeks to prevent the emergence of an integrated South American infrastructure oriented toward Asia.

Washington's response: political intimidation and military coercion

The Trump administration's National Security Strategy vows to "deny non-Hemispheric competitors" control of strategically vital assets in the hemisphere. In a September 8 op-ed in Lima's *El Comercio*, ahead of his visit, Secretary of State Marco Rubio accused Beijing of entering the region with "promises that hide predatory practices." The Chinese Embassy replied that the Western Hemisphere is "no one's backyard." On September 10, beside Rubio, President Keiko Fujimori confirmed Peru's entry into the US-led "Shield of the Americas."

This policy did not begin with Trump. For the November 2024 APEC summit in Lima, attended by President Joe Biden, the Peruvian Congress authorized the entry of 600 armed US Army, Air Force and Marine Corps personnel, with aircraft, refueling tankers, helicopters and sniper rifles, deployed not only in Lima but in Pisco and Chiclayo. Officially there for summit security, the deployment demonstrated Washington's ability to project armed force into Peru under the cover of a diplomatic gathering. Congress has since authorized the presence of US military personnel in Peru throughout 2026.

In Panama, the Supreme Court in January annulled the concessions held by Hong Kong-based CK Hutchison at its two main ports. In Venezuela, Washington showed its readiness to use direct military force with the January 2026 operation that seized President Nicolás Maduro. Venezuelan oil exports to China have stopped as Washington has asserted control over the country's petroleum reserves, the largest on the planet.

Peru is a more complicated problem. Chancay is majority-owned by the Chinese state enterprise COSCO Shipping, and any attempt to dislodge Chinese capital would threaten vital interests of Peru's own ruling class.

The $3.5 billion fighter jet purchase

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Washington's pressure came into the open in April 2026, when interim President José María Balcázar tried to postpone the purchase of 24 Lockheed Martin F-16 Block 70 fighters, a program worth about US$3.5 billion. Peru's own technical evaluation committee had ranked the French Rafale first and the Swedish Gripen second, with the F-16 third.

On April 17, hours before a scheduled signing, Balcázar said the decision should be left to the government taking office on July 28. US Ambassador Bernie Navarro replied the same day that anyone dealing with the United States "in bad faith" could expect Washington to "use every available tool" against them.

Within a week the matter was settled over the president's head. The first contract, for 12 aircraft worth US$1.54 billion, was signed in a closed ceremony at Las Palmas Air Base on April 20. On April 22, Balcázar's foreign and defense ministers resigned, accusing him of lying about the deal's status, and the next day the Finance Ministry transferred a first payment of US$462 million.

The episode exposed what Peruvian "sovereignty" amounts to. In a country with enormous deficits in education, health, housing and infrastructure, billions have been committed to aircraft whose purpose the Heritage Foundation stated plainly: the purchase shows Peru's "commitment to greater interoperability with U.S. forces." Peru's air force is being integrated into Washington's preparations for war with China.

The overthrow of Pedro Castillo

Washington's influence over the Peruvian state was evident in the removal of President Pedro Castillo in December 2022. On December 6, US Ambassador Lisa Kenna, a nine-year CIA veteran, met with Defense Minister Gustavo Bobbio, a retired army general sworn in the day before. On December 7, Castillo announced the dissolution of Congress. Bobbio resigned within hours, the armed forces and police refused to back the president, Congress removed him, and he was arrested that afternoon.

What was discussed has never been disclosed. But the ambassador's contact with the defense minister on the eve of the crisis, followed by Washington's rapid condemnation of Castillo and recognition of the succession, shows the weight of US ties to the Peruvian state at the decisive moment.

Washington kept close relations with Castillo's successor, Dina Boluarte, as her killed dozens of protesters, above all in Peru's predominantly Indigenous south.

The dilemma of the Peruvian bourgeoisie

The Peruvian ruling class confronts a contradiction that cannot be resolved through declarations of neutrality. Its economic interests increasingly depend on China, while its military and political institutions are tied to Washington.

Luis Miguel Castilla, a former economy minister and former ambassador in Washington, said that Fujimori's approach showed "she is going to be pragmatic," adding that this "has been part of our foreign policy for a long time."

But what does such pragmatism mean when Washington demands the exclusion of Chinese companies from strategic infrastructure? Chinese firms have invested heavily in copper, electricity, transportation and ports, and their influence cannot be eliminated by decree without threatening the profits of powerful sections of Peru's capitalist class. At the same time, that class depends upon the military, police and judicial institutions through which its property and rule are maintained. It tries to profit from both powers, but as their rivalry grows more militarist, that balancing act is becoming impossible.

The danger of war and the independent perspective of the working class

The United States, despite its relative economic decline, retains overwhelming military power and a worldwide network of bases. Its determination to preserve its supremacy creates the danger that economic competition will be settled by military means. Peru's location, mineral wealth and ties to China place it in the direct path of this confrontation. The struggle between the great powers could bring military conflict onto Latin America and Peruvian territory, with devastating consequences for its population.

Neither Washington nor Beijing represents the interests of the working class. The former seeks to preserve imperialist domination; the latter pursues the commercial and strategic interests of Chinese capitalism.

In 1914, Trotsky warned: "War is the method by which capitalism, at the climax of its development, seeks to solve its insoluble contradictions. To this method the proletariat must oppose its own method, the method of the Social Revolution."

The class struggle is already beginning to erupt. On November 16, heavy-cargo truckers began a 72-hour national stoppage against rising diesel prices, rejecting as insufficient the subsidy offered by a Fujimori government that has found billions for F-16s. Organizers expect some 20,000 drivers to take part.

Peruvian workers must reject subordination to Washington, Beijing and their own bourgeoisie, and unite their struggle against war and repression with workers throughout Latin America, the United States, China and internationally. The alternative to the growing danger of war is not neutrality between rival capitalist powers, but the independent international political mobilization of the working class for socialism. This requires the construction of its own revolutionary party, a Peruvian section of the International Committee of the Fourth International.

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