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## Peru's Economic Boom and the Asian Connection

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## Abstract

This paper analyzes recent economic and diplomatic relations between Peru and Asia, with emphasis on China, Japan and the Republic of Korea. In the last decade, Peru has experienced remarkable economic growth, driven by global demand for its minerals and other natural resources, combined with sound macroeconomic policies and a firm commitment to international trade.

Although Peru's relations with Asia tend to reinforce its overall position as a mineral exporter, the country has not experienced significant "de-industrialization". On the contrary, through aggressive pursuit of free trade agreements (FTA) and new foreign investment, trade with Asia has increased in scope and diversity, with considerable dynamism in value-added exports to China and Japan. Furthermore, Peru's booming extractive industries have not only benefitted from Asian demand, but also from significant new direct investment, and from efforts by Asian firms to comply with global standards for mining operations.

Conceding the fact that policymakers can be credited for successful negotiation of FTAs, subsequent advances in trade and investment with Asian partners have largely been the result of private initiative. The authors conclude that if Peru is going to take better advantage of these opportunities over the longer term, to achieve a more diversified and productive economy, greater state leadership and strategic public policies will be necessary.

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## Introduction

*“To tell the truth, I also light a candle every day and pray that China’s economy does not fall down on us”.*

--Luis Miguel Castilla, Peruvian Minister of Economics and Finance 2011<sup>1</sup>

In the last decade Peru has been one of Latin America’s most impressive success stories, achieving sustained economic growth under political democracy, cutting poverty in half and producing an expanding new middle class. The country’s recent boom has been driven in large part by global demand for the minerals and other primary commodities that Peru exports, as well as by sound macroeconomic policymaking and a strong commitment to international trade. Expanding relations with Asia – especially China, Japan and South Korea – have been a key part of this story.

For resource-rich countries like Peru, the demands of a growing China in particular have offered exceptional opportunities to attract new investment and expand markets for traditional exports. In recent years, copper, iron, gold and other minerals have accounted for around 60% of total Peruvian exports, 13% of total FDI<sup>2</sup> and 14% of total tax revenues<sup>3</sup>. Although Western multinationals have accounted for most mineral investment and development in Peru since the 1990s, China is the main destination for Peruvian minerals and Chinese investment in this sector has increased significantly. Investors from Japan, South Korea and other Asian countries are also present in Peru’s expanding portfolio of mineral, gas and oil concessions.

Yet the global rush for natural resources has also revived longstanding concerns in Peru about the risks of excessive dependency on primary commodity exports, and the structural challenges to achieving a more diversified and productive economy. Indeed, the main motivation behind Peru's aggressive pursuit of free trade agreements with China (2009) and 16 other countries and economic regions, as well as diverse negotiations of multilateral trade agreements and alliances, has been to diversify the country's trade and investment opportunities. Dependency on mineral exports also raises concerns about the human rights and environmental implications of large-scale extractive activity, as rising conflicts between foreign companies and local communities have generated considerable political and economic costs.

Latin American policymakers are aware of the risks of primary commodity dependency and anxious to overcome them. That is the story behind the Pacific Alliance and the Trans Pacific Partnership (TPP), as well as initiatives within South America, some older than others, such as the Andean Community (1969), for promoting value added exports between member countries, and more recently, the process of physical integration within the Initiative for Integration of Regional Infrastructure (IIRSA). The same is true for the proliferation of bilateral trade agreements and domestic to diversify productive structure and bolster non-traditional exports. That is also the driver behind numerous academic initiatives aimed at understanding Latin America's new Asian partners, in order to take fuller advantage of these complex and evolving relationships.

This paper aims to contribute to the regional discussion, through a closer analysis of the Peruvian case. The general questions it poses are the following: What has been the nature

of Peru's economic and political relations with the major Asian countries, especially in the last decade? Have trade relations with major Asian partners helped or hindered the diversification of Peru's economy? Have Asian investments in Peru encouraged linkages between the natural resource sector and the rest of the economy? How or to what extent has new Asian investment affected Peru's efforts to achieve global standards for transparency and corporate social responsibility in its mining industry? Finally, how have Peruvian policymakers and private sector responded to these new opportunities for engagement with Asia? Have they been able to shape these relations in Peru's favor?

To address these questions, this paper draws on the combined experience of researchers at the Centro de Investigación de la Universidad del Pacífico (CIUP) and the APEC Study Center at the same university.<sup>4</sup> It is divided into four main sections. The first provides a brief summary of Peru's historical and political relations with major Asian countries, which are important for understanding current relations. The second presents a general overview of Peruvian trade with selected Asian partners, and the third analyzes the recent state of Asian direct investment in Peru. In the latter, special attention is given to the growing Chinese presence in Peru's extractive industries. The paper ends with final remarks about the Peruvian case in a regional context.

## **Part I: Peru – Asian Relations: A Brief History**

Peruvian relations with Asia date to the 19<sup>th</sup> century, when thousands of Chinese and Japanese workers were brought to the country in the wake of abolition, to labor on the large coastal plantations and other venues. Asian immigrants and their descendants have experienced exploitation and discrimination throughout Peruvian history, yet over time they have also achieved considerable economic success and relatively high levels of educational and professional achievement. Today, Peruvians of Asian descent comprise an estimated 3% to 5% of the population, and their influence on the broader society and culture is widespread. Although Peru now has diplomatic and trade relations with more than 30 countries across broader Asia, its relations with Japan and China are especially strong due to these historical ties, which are frequently cited by each nation's leaders.

### **China and Peru**<sup>5</sup>

China has been present in Peru for over 160 years. Between 1849 and 1874, some 100,000 Chinese men were brought to Peru as *coolies* or indentured agricultural workers, to labor on the sugar plantations and rich *guano* islands.<sup>6</sup> Chinese workers also helped build railroads and extract rubber and gold from the Amazon. In 1874, Peru and China signed a Treaty of Friendship, Trade, and Navigation, and in 1884 China sent its first diplomat to Peru. Free immigration continued until 1909 when it became officially regulated, and then prohibited in 1930.<sup>7</sup>

Throughout the 20<sup>th</sup> century, however, Chinese immigrants continued to arrive and the influence of Chinese people and culture in Peruvian society expanded. In the 21<sup>st</sup> century, a

larger wave of immigrants came along with the huge influx of Chinese goods and enterprises. One of the most visible signs of this influence can be observed in downtown Lima, where Chinatown or *el barrio chino* is located, housing a large conglomeration of businesses and shops owned or managed by recent Chinese immigrants or by Peruvians of Chinese descent (also called *Tusan*).<sup>8</sup> Today Peru has the largest Chinese ethnic population in Latin America, and many of its members have renewed ties with their ancestors' homeland.

Diplomatic ties with the People's Republic of China can be traced back to 1971, when Peru became the third country in Latin America (after Cuba and Chile) to recognize the communist state. For years, however, relations were mainly focused on economic and technical cooperation. In 2004, Peru was among a group of Latin American countries that granted market economy status to China. However, in 2008 bilateral relations entered a new phase, when then Chinese president Hu Jintao and his Peruvian counterpart, Alan García, exchanged visits and established a "strategic partnership" which in 2009 led to the Peru – China Free Trade Agreement (FTA). By 2011, as both countries celebrated the 40<sup>th</sup> anniversary of the establishment of diplomatic relations, the People's Republic of China replaced the United States as Peru's main trading partner. Moreover, in April 2013, the two nation's leaders celebrated their "comprehensive strategic partnership" by signing eleven new bilateral accords, aimed to optimize their trade infrastructure, strengthen cooperation in agriculture and infrastructure as well as minerals, increase cooperation for social development and deepen their ties beyond the current trade structure.

Today around 100 Chinese firms are legally registered to operate in Peru, and in 2011 an Association of Chinese Enterprises was formed, with 43 members and support from the Chinese Embassy in Peru.<sup>9</sup> The 11 member council includes prominent state-owned oil and mining companies (SAPET, CNPC, Shougang, Chinalco, Minmetals), banks and technology companies. Peru is now the #1 location for Chinese mineral investment in Latin America, with at least 14 Chinese firms holding important concessions, although to date the Chinese own only one operating mine.

### **Japan and Peru**<sup>10</sup>

Peru was the first Latin American country to establish diplomatic relations with Japan, in 1873, and the first country to admit Japanese immigrants in 1899.<sup>11</sup> The first boatload of Japanese families arrived in 1899, followed by several waves of immigrants from Okinawa, Gifu, Hiroshima, Kanagawa and Osaka. Most also came to work on plantations, though the majority moved to cities when their contracts expired, and by 1936 they represented 45% of Peru's total foreign population.<sup>12</sup> Today Peru has the second largest Japanese descendent ethnic community (or *Nikkei*) in Latin America after Brazil. Although they comprise less than 1% of the total population, they are highly concentrated in Lima, where they have established strong cultural and educational institutions.

Geopolitical factors have shaped the lives of many Japanese Peruvians. During World War II, the Peruvian government collaborated with the United States by deporting hundreds of Japanese Peruvians to U.S. internment camps, confiscating their homes and businesses. Although 11 other Latin American countries did the same, 84% of the estimated 2,118



imprisoned Latin American Japanese came from Peru, and very few returned. While roughly 10,000 Japanese remained in Peru during the war, prominent leaders of the community were blacklisted, their businesses were boycotted, and their schools and newspapers were closed.<sup>13</sup>

In the 1960s bilateral relations between Peru and Japan improved, as the latter turned to this region in search of raw materials necessary for its postwar reindustrialization. In the following years, trade between the two countries expanded considerably, and Japan became Peru's second largest export market and third largest import supplier. Around 80% of Peruvian exports to Japan were minerals. And many Japanese enterprises were willing to engage in joint ventures and work with government officials to develop new resources in exchange for long-term supply contracts.<sup>14</sup> Although by the 1980s Peru also exported fishmeal, oil and coffee to Japan, international and domestic factors drove Peru into a severe crisis, and drove most new Japanese investments elsewhere.

Ironically, it was a politician of Japanese descent, Alberto Fujimori Fujimori, who presided over Peru's emergence from the crisis of the 1980s. When he first ran for the presidency in 1990 there was a revival of anti-Japanese sentiment among the traditional elite, as Fujimori's successful electoral campaign stressed his humble immigrant story and promised to secure generous assistance from his parent's homeland. The incorporation of other prominent Japanese Peruvians to the Fujimori cabinet also brought new attention to this community. Elite fears subsided considerably, however, as the Fujimori Administration reestablished order, enacted drastic economic reforms and reopened the country to foreign trade. Peruvian relations with Japan reached a high point during his administration (1990 -

2000). Although some tensions arose between Peru and Japan after Fujimori fled to Japan in 2000, taking refuge in his dual citizenship to escape extradition on human rights and corruption charges, subsequent bilateral relations have been positive.

In summary, Peru has deep historical ties to China and Japan, which facilitate current efforts to promote broader trade and investment. Recent Peruvian presidents have paid state visits to both countries and taken care to celebrate these historical bonds. Has the cultivation of these historical ties paid off in economic terms? The next two sections address this question.

### **South Korea and Peru**

Official relations between Peru and the Republic of Korea began on April 1<sup>st</sup>, 1963 with the signing of the "Joint Communique on the Establishment of Diplomatic Relations between the Republic of Peru and the Republic of Korea." Since then progress has been exponential and the bilateral relationship has been extended to the realms of economic, commercial, cultural and political cooperation.

The signing of a Free Trade Agreement on March 21<sup>st</sup>, 2011 established a turning point in the bilateral relations between Peru and Korea. These relations were then reinforced by mutual visits between Peruvian and South Korean authorities, including a visit to Seoul in May 2012 by Peruvian President Ollanta Humala.<sup>15</sup> Foreign Minister Kim Sung-Hwan also visited Lima, promising to promote technology transfer projects and to elevate the relationship to a "Comprehensive Strategic Partnership" framework<sup>16</sup>. A stated priority for both heads of state was the development of new investments, as well as the exchange of

knowledge and technology. Fifty years since the initial establishment of diplomatic ties, relations between Peru and South Korea are in their prime.<sup>17</sup>

In this context, in the last three years, through the Korean Trade-Investment Promotion Agency (KOTRA) and the Korean International Cooperation Agency of Korea (KOICA), Korea has made significant government-to-government arrangements with Peru. Among the most important deals is the sale of 20 KT-1 basic trainer aircrafts from Korea Aerospace Industries to the Peruvian Air Force, as part of a technology transfer initiative. This is being accompanied by the granting of scholarships, student facilities and export promotion as well as industrial policy seminars carried out by the Korean Development Institute. As mentioned by ambassador Park Hee-Kwon on November 2012: “Peru is therefore an important partner for South Korea, which sees it as a regional hub to increase its scientific research and investment in Latin America”.<sup>18</sup>

## **Part II: Peruvian Trade with Asia**

In the last decade, trade with Asia enabled much of Latin America to withstand the financial crisis of 2008 and sustain positive growth rates. Between 2004 and 2008, trade between Asia and Latin America grew at an average annual rate of 25.7%, while exports to the Latin American regional market, the European Union and the U.S., grew at 24.8%, 20.8% and 20.9% respectively.

Yet although Asia has become the premier destination for Latin American exports, most of this trade is concentrated in a few countries. By 2011, six Asian countries explained 79.4%

of Latin America's exports to Asia, being the three main destinations China (47.4%), Japan (14.3%) and Republic of Korea (7.9%). Moreover, the total importance of these three countries has remained nearly the same over 1990 – 2011, with a slight increase in the last five years. However, there is a clear change in their *relative* importance as destinations for Latin American exports over the last 20 years. While in 1990 Japan accounted for 48.2% of Latin American exports to Asia, and China just 6.1%, the roles were reversed two decades later.

Obviously, this pattern reflects China's gravitational economic force, its hunger for natural resources and the ability of Latin American countries to feed that. Indeed, the data on trade value is influenced by the increase in commodity prices in recent years. As a result, the relative importance of some export destinations is overvalued due to their trade pattern as commodities consumers.

Peru's trade with Asia follows the general Latin America pattern. In the last two decades, exports to the three top destination countries have explained nearly 83% of its total trade with Asia, and this has been even more accentuated in the past five years. By 2011, Peruvian exports to China, Japan and Rep. Korea accounted for nearly 92% of its exports to Asia.

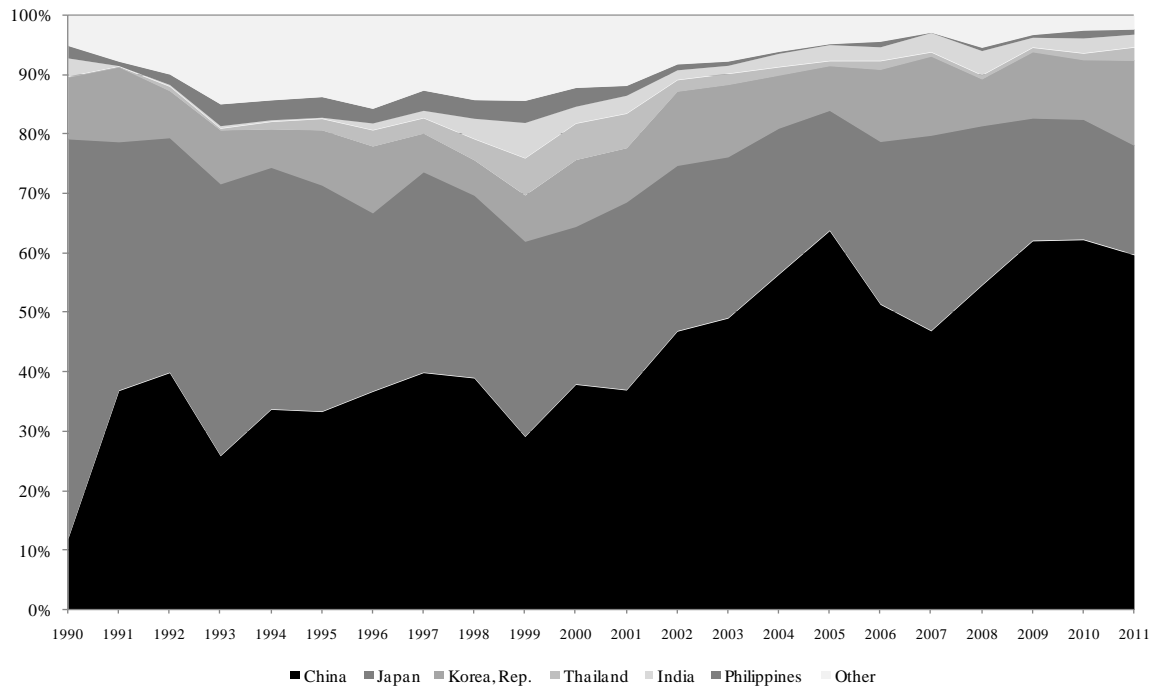
Although these three countries have remained the most significant export partners for Peru in the last 20 years, the relative importance of each has not remained the same. Figure 1 shows us the relative decrease in the export share to Japan and the continuous increase of China as the prime destination. In 1990, exports to Japan accounted for 67% of total

exports to Asia, while China accounted for 9 percent. By 2011, Japan accounted for 18% while China purchased 59% of Peru's Asian exports. The Republic of Korea, however, remained constant at 10% of Peru's Asia exports throughout this period, albeit with a strong increase in 2011 when it reached a historical record of 14 percent. As seen below, the Rep. Korea plays a significant role not only in the expansion of Peruvian exports with a higher technological level, but also in bilateral cooperation at government level.

Apart from the three countries mentioned above, Peru has strong commercial links with other countries in the Asia Pacific region. Thailand, the Philippines, Malaysia and Indonesia are countries with which Peru also has a history of trade, and the subscription of Peru into APEC in 1997 saw a relatively important increase in the share of trade with these countries. However, the effects of the Asian and Russian financial crises in 1997 and 1998 halted the emergent development of these commercial and investment relations.

As mentioned in the prior section, China has clearly been the most important and dynamic partner for Peru, representing its single largest export market, and second largest source of imports after the United States. According to ADEX, the guild of Peruvian exporters, in 2012 China bought US\$7.7 billion worth of Peruvian goods or 17% of total exports from Peru.<sup>19</sup> Moreover, total exports to China grew at a 20.6% average annual pace between 1995 and 2011, for an accumulate growth of 18.9 times, in contrast to Peruvian exports to the world as a whole, which grew 7.4 times over the same period of time.

**Figure 1. Peru exports to Asia, by destination country 1990 – 2011  
(percentage of total exports to Asia)**



Source: Authors' calculations based on UN COMTRADE

Peruvian exports to China remain largely primary goods, as seen in Table 1, with just four products – copper, iron, lead, and fishmeal – comprising 83% of the total, and largely explaining the positive overall trade balance. The relative share of these goods has changed since the 1990s, however. As recently as 1997, nearly 79.9% of Peruvian exports to China came from the fishery sector, while around 16.2% was minerals and oil. However, as seen in Table 2, in 2011 the shares were reversed; fisheries accounted for 17.5% and mineral and oil products together were 78.5%. This shift in the export pattern has been driven by China's enormous need for minerals in its process of industrialization and urbanization.

**Table 1. Top 5 Peruvian exports and imports to/from China in 2011**

Level of technology sophistication	Sector	Commodity Code (HS)	Commodity Description	Trade Value
<b>Exports</b>				
NRBM	Mining&Oil	260300	Copper ores and concentrates	2,417,569,333
PG	Fishing	230120	Flour or meal, pellet, fish, etc, for animal feed	1,042,228,645
NRBM	Mining&Oil	260111	Iron ore, concentrate, not iron pyrites, unagglomerate	1,000,887,459
NRBM	Mining&Oil	260700	Lead ores and concentrates	723,723,644
PG	Mining&Oil	740311	Copper cathodes and sections of cathodes unwrought	623,283,133
<b>Imports</b>				
HTM	Metal-Mechanical & Electronics	847120	Digital computers with cpu and input-output units	405,270,468
HTM	Metal-Mechanical & Electronics	852520	Transmit-receive apparatus for radio, TV, etc.	375,250,366
MTM	Metal-Mechanical & Electronics	871120	Motorcycles, spark ignition engine of 50-250 cc	142,141,509
HTM	Various (inc. jewelry, crafts)	852810	Colour television receivers/monitors/projectors	126,808,238
LTM	Various (inc. jewelry, crafts)	950390	Toysnes	109,711,716

Source: Authors' calculations based on UN COMTRADE

Meanwhile, imports from China to Peru have increased more than those from any other country.<sup>20</sup> In 1993, Peru bought US\$ 90 million in Chinese goods, while in 2012 it bought nearly US\$ 7.8 billion, or 87 times more, while total imports from the world increased 10 times over. From 2001 to 2011, imports from China grew by 33%.

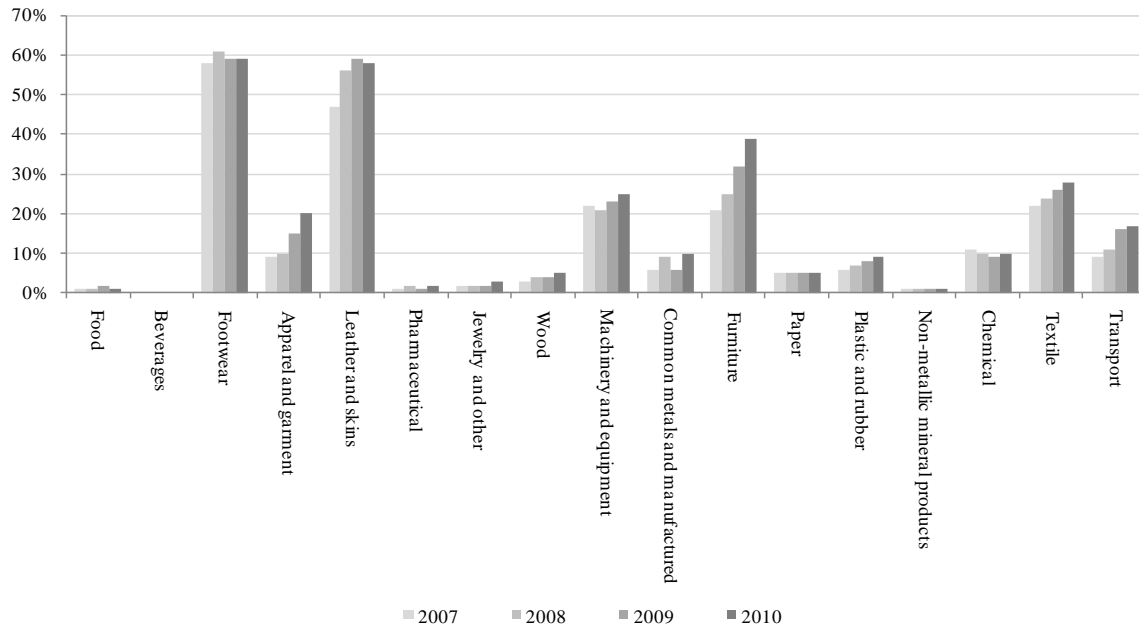
Not surprisingly, Chinese imports do compete with local producers in such sectors such as footwear, textiles and garments, and metal products, in which the trade balance remains negative. Yet although this trade is highly asymmetric, in the Peruvian case this has not exactly led to “de-industrialization”. The overall effect of an expanded market and better access to competitive intermediate goods, for example, appears to outweigh the negative

effects of Chinese imports on specific sectors. A recent study by Cardenas and Gavilano (2013)<sup>21</sup>, for example, found that Chinese import penetration<sup>22</sup> had a positive effect on real wages in companies belonging to sectors not directly competing with China, and less impact on the wages of workers in those sectors that do compete directly. Firms that do not compete with Chinese products are able to benefit from imports of intermediate goods at lower prices and increase their exports by extended market effect and better trade relationship. Even in sectors such as apparel and textiles, where Chinese penetration since 2007 has reached 20% and 28%, respectively, it should be noted that many firms tend to manufacture products with a large share of imported components. Hence the detrimental effect of Chinese competition should be weighed at each stage of the production process.

In this sense, the free trade agreements (FTA) signed with China and other partners have been very important, motivating more Peruvians to look across the Pacific for new business opportunities. The FTA with China, covering merchandise, services and investment, allows 83.5% of Peruvian exports to enter China with zero tariffs.<sup>23</sup> Importantly, it also provides some protection for Peruvian products most vulnerable to Chinese competition, such as textiles, 56% of which were excluded from the tariff elimination schedule.



**Figure 2. Penetration of imports from China into the Peruvian market, by sector**



Source: Cárdenas and Gavilano (2013)

While FTAs alone cannot turn the tide of history in regard to primary export dominance in Peru, they have generated new dynamism and modest but important diversification of trade. Within the first year of implementation of the FTA with China, for example, the number of Peruvian exporters to the Asian giant grew by 30%, to around 500 companies, and total trade with China increased 25%. Although 95% of this was still in traditional exports, Peru exported 140 new nontraditional products to China that year. Particularly in chemical, agricultural and fishing sectors which had experienced a remarkable dynamism. As pointed out by Peruvian Minister of Agriculture, Milton Von Hesse at the “First Meeting of Ministers of Agriculture of China, Latin America and the Caribbean”, Peru's agricultural exports to China grew 8.7 times since the FTA went into effect.<sup>24</sup>

If we analyze the Peruvian export structure by the technological level of the traded goods, we can also see (in Table 3) that over the last decade, Peru has increased the technological

level of its exports. In 1997, 83.6% were pure primary goods (PG), while 14.4% were what is called “natural resource based manufactures” (NRBM). By 2011 this pattern had changed, as 28.9% were primary goods (PG), while 70.5% were natural resource based manufactures (NRBM). Although the majority of the latter are also mineral-related, the highest growth rates in this category were in foods and agro-based manufactures. Between 2005 and 2010 the natural resource base manufactures (NRBM) and the medium technology manufactures (MTM), grew at 28.9% and 25% per year respectively.

The structure of exports to Japan follows the same pattern as those of China. Overall, Peruvian exports to Japan grew at an average annual growth rate of 10.3% from 1995 to 2011, and most have been concentrated in fisheries, mining and oil products. In 1997, fishery exports to Japan accounted for 24.6% of the total, while mining and oil were 57.5%. Since then, mining and oil exports have increased to 76.2% as of 2011. However, there has also been an interesting increase in participation of the chemicals sector, which in 1997 accounted for just 3.9% of exports to Japan, by 2008 was 8.0%, and in 2011 had grown to 11.5% of the total. Imports from Japan to Peru remain very concentrated in the chemical, metal-mechanics and electronics sectors.

Exports to Republic of Korea also followed this pattern until 2008, concentrated in fisheries, mining and oil products. Since then, however, the Peruvian chemical industry began increasing its participation in total exports to Rep. Korea. Furthermore, according to UN COMTRADE data, Rep. Korea was the destination with the highest average annual growth rate for both high technology manufactures (HTM) and medium technology manufactures (MTM). Between 2005 and 2010, exports of high technology goods to Rep.

Korea grew at 40.9%, while exports of the same technology sector to Japan and China grew at -11.9% and 15.7%, respectively, over the same period of time (see Table 4). That this began before the Free Trade Agreement (FTA) was signed between Peru and Rep. of Korea in March of 2011 bodes well for the prospects of further expanding nontraditional exports to that country.

As we have seen, Peruvian exports to Asia have been historically concentrated in primary commodities, especially minerals and hydrocarbons. To the extent that Asian demand for these resources is higher than the world average (60,9% of total Peruvian world exports are minerals, versus 78% to Asia), then one can say that this demand contributes to reinforcing Peru's primary commodity orientation. However, Peru has made notable efforts to offset this trend, through bilateral trade agreements, multilateral alliances, and promotion of non-traditional exports. Although the trade pattern with China is very concentrated in mining and related products, that country has also become a growing destination for Peruvian manufactures, with particular dynamism in sectors such as chemicals and agro-industry. Moreover, such manufactured exports have grown at a faster pace with China than with other destinations; in other words, overall there has been a positive evolution with China as a destination for value-added exports. The challenge is to continue this trend, taking more energetic measures to assure that as Chinese demand evolves, it can also become a market for higher value-added Peruvian exports.

**Table 2. Peru exports by sector to Asia main trading partners and the World, 1997, 2008, 2011**  
(share of total exports and imports to main destinations)

	China			Japan			Korea			World		
	1997	2008	2011	1997	2008	2011	1997	2008	2011	1997	2008	2011
<b>Agriculture and Livestock</b>	1.8%	0.7%	0.7%	9.7%	1.7%	2.7%	23.0%	4.1%	3.2%	12.0%	8.3%	9.9%
<b>Chemical</b>	0.0%	0.5%	2.1%	3.9%	8.0%	11.5%	5.4%	0.5%	13.7%	8.1%	15.0%	15.6%
<b>Fishery</b>	79.9%	22.5%	17.5%	24.6%	9.7%	8.7%	10.1%	7.3%	4.3%	20.8%	7.7%	6.9%
<b>Metal-Mechanical and Electronics</b>	0.0%	0.1%	0.0%	0.2%	0.1%	0.0%	0.0%	0.1%	0.0%	0.9%	1.1%	1.0%
<b>Mining and Oil</b>	16.2%	74.2%	78.5%	57.5%	79.7%	76.2%	58.8%	86.9%	78.2%	45.2%	59.2%	60.9%
<b>Textile and Leather</b>	2.0%	0.3%	0.3%	3.3%	0.7%	0.9%	2.6%	1.1%	0.5%	8.2%	6.6%	4.4%
<b>Wood and Paper</b>	0.0%	1.7%	0.8%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	1.4%	0.9%
<b>Various (jewelry, crafts)</b>	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	0.6%	0.4%
<b>Total Peru exports (in million USD)</b>	490.6	3,735.0	6,961.4	473.6	1,860.0	2,174.6	91.5	552.0	1,694.9	6,759.4	31,288.2	45,636.1

**Table 3. Peru export structure to Asia main trading partners and the World, 1997, 2008, 2011**  
(share of total exports to main destinations)

	China			Japan			Korea			World		
	1997	2008	2011	1997	2008	2011	1997	2008	2011	1997	2008	2011
<b>PG</b>	83.6%	25.2%	28.9%	60.0%	24.9%	25.6%	73.7%	9.8%	18.9%	61.5%	47.1%	49.9%
<b>NRBM</b>	14.4%	74.4%	70.5%	36.7%	74.4%	73.5%	24.4%	89.2%	80.7%	23.7%	41.6%	41.5%
<b>LTM</b>	0.8%	0.1%	0.1%	3.0%	0.6%	0.8%	1.7%	1.0%	0.4%	10.3%	8.5%	5.9%
<b>MTM</b>	1.1%	0.3%	0.4%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	2.1%	2.2%	2.2%
<b>HTM</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.3%	0.3%
<b>Total Peru exports (in million USD)</b>	490.6	3,735.0	6,961.4	473.6	1,860.0	2,174.6	91.5	552.0	1,694.9	6,759.4	31,288.2	45,636.1

**Table 4. Average annual growth rate of Peru export structure to Asia main trading partners and the World, 1995, 2000, 2010**

	China			Japan			Korea			World		
	1995-2000	2000-2005	2005-2010	1995-2000	2000-2005	2005-2010	1995-2000	2000-2005	2005-2010	1995-2000	2000-2005	2005-2010
<b>PG</b>	5.5%	17.2%	15.7%	-6.8%	7.4%	4.2%	5.5%	-16.7%	25.0%	4.7%	15.6%	14.6%
<b>NRBM</b>	3.9%	66.9%	28.9%	-5.9%	21.1%	35.1%	4.5%	31.9%	32.9%	2.6%	31.4%	18.9%
<b>LTM</b>	14.0%	4.2%	18.2%	-9.1%	0.4%	1.4%	-19.7%	14.5%	12.6%	8.3%	15.3%	5.2%
<b>MTM</b>	-41.0%	78.9%	25.0%	37.5%	-17.6%	23.4%	49.3%	82.8%	35.8%	8.8%	19.0%	16.8%
<b>HTM</b>	878.1%	61.2%	15.7%	1471.8%	-1.8%	-11.9%	58.1%	-17.3%	40.9%	13.7%	11.3%	11.2%

Source: Authors' calculations based on UN COMTRADE

Notes: Sector classified by levels of technological sophistication, as Lall (2000). PG = Primary goods, NRBM = Natural resources based manufactures, LTM = Low technology manufactures, MTM = Medium technology manufactures, HTM = High technology manufactures

### **Part III: Asian Investment in Peru**

It is difficult to trace the total amount of FDI coming from Asian countries into Latin America, because of the tendency to use tax havens in Panama and the Caribbean to redirect such investments across the Americas. However, it appears that the appeal of this region as an Asian FDI recipient remains less than in that past era.<sup>25</sup> Without considering tax havens, Brazil remains as the top destination for Asian investment, now largely from China and Rep. Korea.<sup>26</sup> This is not surprising, as Brazil has the largest domestic market in the region, and strong trade relations with MERCOSUR partners and other South American countries to supply with manufactured goods and raw materials. Mexico is also a major destination for Asian FDI, in large part because of its role as a gateway to the US and Canada markets through NAFTA<sup>27</sup>, but also because of its Economic Partnership Agreement (EPA) with Japan signed in 2005.

Historically speaking, Peru has been an important destination for Asian FDI. Back in the 1960s, Peru accounted as the second receiver of Japanese FDI in Latin America. However, this was gradually lost over the years. By 2012, the main investors in Peru were Spain (24.3%), United States (13.3%) and South Africa (7.7%) and the main sector receiving this investment was mining, with 23,9% of the total. Asian investment is now led by China who constitutes 3.5% of the US\$22.7 billion FDI receipt by Peru in 2012.<sup>28</sup>

### **Japanese investment in Peru: learning from the past**

In the 1960s, Japanese companies went to Peru to ensure market share against possible protectionist measures established by the import substitution (ISI) model being implemented at the time. The idea was that Peru might serve as a platform to expand vehicle assembly (for Toyota and Nissan) and produce kitchen condiments (Ajinomoto) for the rest of the region.

During the same period, there were also significant Japanese investments in the exploitation of Peru's natural resources. In 1973- 1975 a consortium of Japanese companies (Mitsui Mining and Smelting and Nippon Mining) was positioned to purchase at least three major copper projects: Katanga, Santa Lucia and Michiquillay.<sup>29</sup> However, most of these did not materialize due to differences with the Peruvian government regarding the management of foreign capital and labor policies. In the oil sector, Mitsui, Marubeni and Mitsubishi, established JAPECO (Japan-Peru Oil Corporation), to work alongside the state entities Cofide and Petroperu to build the North-Peru oil pipeline.

Although considerable Japanese FDI came to Peru between 1965 and 1975, in subsequent years the investment and trade relations decreased abruptly. As mentioned above, these were crisis years in Peru and on the international level. However, during the 1990s, political and economic cooperation between Peru and Japan was very active. Japan helped then President Fujimori to revive Peru's standing in the international community, facilitating meetings with international organizations and principal creditor nations. Peru was supported by Japan in its adhesion to APEC in 1997, after which Peru became the beneficiary of a series of technical assistance programs. However, the Japanese private

sector was largely absent from Peru.<sup>30</sup> Few Japanese manufacturing companies retained operations in Peru, and those that came in the 1990s opened primarily representative offices. Although there were small mining investments in those years, these were mainly in partnership with local or foreign companies.<sup>31</sup>

**Table 5. Current and announced investments from Japanese companies**

Sector	Project	Japanese Company	Investment* (in million USD)	Comments
Mining	Bayovar	Mitsui & Co. Ltd. 1/	275 (in 2010)	Holds 25% of Bayovar phosphate mine project. Bought from Vale (Brazil)
	Huanzala	Mitsui Mining & Smelting Co. Ltd. 2/	50 (in 2011) 38 (in 2010) 21 (in 2009)	Through its subsidiary Compañía Minera Santa Luisa S.A.
	Antamina	Mitsubishi 3/	n.a.	BHP Billiton (33.75%) Xstrata (33.75%) Teck (22.5%) Mitsubishi Corporation (10%)
	Quellaveco	Mitsubishi 4/	3300	Anglo American Quellaveco S.A (81.9%). Mitsubishi (18.1%) Environmental impact assessment (EIA) approved. Probably starting operations in 2016
	Quechua (Espinar, Cusco)	Pan Pacific Copper Corp., JX Nippon Mining Holdings, Mitsui Mining & Smelting Co. Ltd. 5/	490	Exploration

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3 / Antamina. Official Website.

4 / Ministry of Energy and Mines. "Expected portfolio of mining projects." January 2013.

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Gonzalez Vigil and Shimizu (2012)<sup>32</sup> propose four main factors that explain the loss of Peru's investment and trade position with Japan between the 1970s and 1990s: (i) human insecurity and the presence of terrorism; (ii) high economic instability as a result of mishandled economic policies in the second half of the 80s, (iii) geopolitical insecurity and strategic distrust that marked the relationship with the U.S. since the 70s and (iv) erroneous trade policies taken by Peru during 1975 – 2000. Additionally, Kamiya (2004)<sup>33</sup> details the

recession in Japan since 1989 and the so-called "*lost decade syndrome*", as external factors that prevented Japanese companies from getting involved in investments in Peru, both in the manufacturing sector and in the privatization of public enterprises.

Given the mistakes and limitations of Peruvian policies, as well as negative external factors, other countries in Latin America were able to benefit more from Japanese investment. This includes the relocation of automobile manufacturing to Colombia, and the ability of Chilean maritime and air transport companies to take the lead in those sectors. These phenomena, in turn, had longer term detrimental effects on Peruvian production and resulted in loss of competitiveness in global markets.<sup>34</sup>

By 2013, the main Japanese investments in Peru were in the mining sector. Table 5 summarizes the main current and announced investments by Japanese companies. As can be seen, almost all of these are held as minority shareholders alongside other foreign investors.

### **South Korea investments in Peru: partnership for the future**

Closer Peruvian – Korean diplomatic ties have helped to promote new investments and business ventures. An "*Invest in Peru*" road show held in Seoul<sup>35</sup> in April 2013 attracted considerable interest by Koreans, for example, in investing in transportation infrastructure (Intelligent Transportation System, Line 2 of Lima Public Transport Bus Network), in energy-related technical associations (South Andean Gas Pipeline) and also in sharing experiences in industrial development.



**Table 6. Current and announced investments from Korean companies**

Sector	Project	Korean Company	Investment* (in million USD)	Comments
Oil & Gas	Block Z46 (Trujillo basin, La Libertad)	SK Energy 1/	482.62	Exploration in progress
	Block 8 (Trompeteros y Yanayacu, Loreto)	SK Energy, Daewoo, Korea National Oil Corporation (KNOC) 2/	n.a.	Project in production phase. Korean interest is divided in: SK Energy 8.3%, Daewoo 11.6%, Korea National Oil Corporation (KNOC) 20%. Pluspetrol Norte S.A. holds 60% of the project and is property of Pluspetrol Resources Corporation (55%) and China National Petroleum Corporation, CNPC (45%)
	Block 115 (Datem del Marañón, Loreto )	Korea National Oil Corporation (KNOC) 3/	n.a.	Project in exploration phase. Korea National Oil Corporation, KNOC 30%, Pluspetrol 70%.
	Savia Peru Block Z-2B (Talara, Piura)	Korea National Oil Corporation (KNOC) 4/	n.a.	Korea National Oil Corporation (KNOC) 50%, Ecopetrol 50%. Project in production/exploration phase
Mining	Mina Justa	KoreaResources, LS-Nikko Copper 5/	744	Environmental impact assessment (EIA) approved. Starting operation in 2015 Brescia Group (CumbresAndinas) 70%, Korea Resources 15%, LS-Nikko Copper 15%.
	San Juan de Marcona, Pachapaqui	Korea Zinc 6/	200	In progress
	DesalinationPlant - Cerro Lindo	Doosan 7/	n.a.	To be completedby 2013
Fishery	Pesquera Diamante S.A. acquisition	Dongwon Industries Co 8/	n.a.	Notconfirmed

**Sources:**

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\* Investment publicly reported. The information may relate to the total amount projected to be invested in the project or the amounts to be disbursed by period, in which case the year of planned disbursementis indicated in parenthesis.

Yet despite the efforts made by both governments to foster technology transfer and industrial development, to date the majority of investment by South Korean firms in Peru has focused on the extractive industries (see Table 6). Oil and gas operations have been led by SK Energy, who has undertaken projects in the Peruvian Amazon as a partner with the much larger China National Petroleum Company (CNPC). In the mining sector, the Korean presence is still small in comparison with current and projected Chinese and

Japanese investment; however, it is notable that Korean interests have participated in the Mina Justa project with one of the main economic groups in Peru.

For Peru, the long-term prospects for Korean investment should be concentrated in areas of bilateral cooperation that would help improve domestic production chains and help expand Peru's industrial base, with higher added value and returns. Yet in spite of the efforts made by the Peruvian government to expand trade with Korea, the private sector still looking for clearer incentives to follow this initiative.

#### **Chinese investments in Peru: learning by doing**

Chinese investment in Peru was virtually nonexistent until 1992, when the Shougang Group bought the state-owned iron ore company, Hierro Peru. At the time it was the largest Chinese investment in Latin America, at US\$118 million, and the first state enterprise sold off by the Fujimori Administration.<sup>36</sup> In 1993 Sapet, a subsidiary of the China National Petroleum Company (CNPC) also purchased some state-owned assets in the Peruvian oil industry. Yet fifteen years would pass before more significant Chinese investments would flow into Peru.

By the mid-2000s, the Chinese government's "Go Out" policies were taking effect in this region. In 2007 and 2008, three of Peru's largest new copper concessions passed into Chinese hands.<sup>37</sup> This includes Toromocho, one of the world's richest copper claims, which requires the relocation of an entire city as well as considerable investment in environmental remediation. To date at least 14 Chinese firms, primarily state-owned but also some with private or mixed capital, have invested in mineral projects in the Northern

and Central Highlands, and in hydrocarbons in the Amazon. In 2012 China was still only the 10<sup>th</sup> largest foreign investor in Peru, but was the largest single investor by country in the mining sector, representing around 20% of total FDI in that sector.

The majority of Chinese investments are concentrated in copper and iron, and since 2007 they have involved new concessions purchased directly or through the takeover of junior firms. The majority are still in the exploration stages, though Toromocho – the largest Chinese investment to date at US\$ 2.15 billion – is now under construction. The Chinese still have only one operating mine in Peru - Shougang Hierro Perú.

While extractive industry investments have been predominant, Chinese investors have begun to show interest in other sectors of the Peruvian economy. One well-known case was the application of Hutchison Port Holdings to an operations bid for the Port of Callao North Pier. Although the tender was won by APM Terminals, a subsidiary of A.P. Moller-Maersk Group, there is interest from Chinese investors in entering the logistics sector and other areas related to overall development of the Peruvian economy.<sup>38</sup>

However, interviews with businessmen and diplomats from both countries suggest that there are numerous obstacles for Chinese state-owned firms, and also for individual entrepreneurs, wishing to invest more in Peru. Some of these are related to Peru's basic regulatory requirements for all investors, which may nonetheless seem especially cumbersome for Chinese unfamiliar with the region. This includes such chores as obtaining work visas, translating and officiating documents and obtaining permits for various stages of operation. Tender processes for infrastructure investments also tend to be

very complicated for Chinese investors. There are also some personal challenges, such as long delays in obtaining visas for family members.

**Table 7. Current and announced investments from Chinese companies**

Sector	Project	Chinese Company	Investment* (in million USD)	Comments
Mining	Toromocho	Chinalco Peru (Chinalco) 1/	2150	Possibly completed on 2014
	El Galeno	China MinMetals Corporation 2/ Jiangxi Copper Company Ltd. 3/	2500	Possibly completed on 2014-2015 China MinMetals Corporation (60%), Jiangxi Copper Company Ltd.(40%)
	Extension of Marcona mine	Shougang Hierro Peru (Shougang Corporation) 4/	1200	In progress
	Pampa de Pongo	Nanjingzhao Group 5/	3005	Investment over 2010-2014
	Rio Blanco	Zijing Mining Group 6/ Tongling Nonferrous 7/ Xiamen C&D 8/ (former Monterrico Metals y Majaz)	1500	Investment over 2009-2014. Zijing Mining Group(45%) Tongling Nonferrous (35%) Xiamen C&D (20%)
	Mina Justa	CST Mining Group Limited 9/	n.a.	Until 2012. Afterwards sold their participation (70%) to Cumbres Andinas
	Cercana project (Yarabamba, Arequipa)	Junefield Group 10/	to be defined	Exploration
	Llama TY01 (Huancano, Ica)	Jintong Mining 11/	to be defined	Exploration
	Marcobre	China SciTech 12/	n.a.	Exploration
		Shandong Exploration 13/	n.a.	Exploration
		Anhui Exploration 14/ Hebei Exploration 15/	n.a.	Exploration
Oil & Gas	Block 6 / 7 (Talara, Piura)	China National Petroleum Corporation (CNPC) 16/	n.a.	Since January 1994 and October 1995.
	Block 111/113 (Madre de Dios)	China National Petroleum Corporation (CNPC) 17/	n.a.	Project in exploration phase
	Block 1AB (Olaya, Loreto)	China National Petroleum Corporation (CNPC) 18/	n.a.	Already in production. Holds 45% of the project. Pluspetrol Resources Corporation holds the 55%.
	Block 8 (Trompeteros y Yanayacu, Loreto)	China National Petroleum Corporation (CNPC) 19/	n.a.	Already in production. Holds 27% under its stake in Pluspetrol Norte S.A. Other partners are SK Energy (8.3%), Daewoo (11.6%), Korea National Oil Corporation, KNOC (20%) and Pluspetrol Resources Corporation (33%).

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12 / 13 / 14 / 15 / Irwin and Gallagher (2012)  
16/17 / China National Petroleum Corporation. CNPC in Peru.  
18/19 / Pluspetrol Norte SA partners

\* Investment publicly reported. The information may relate to the total amount projected to be invested in the project or the amounts to be disbursed by period, in which case the year of planned disbursement is indicated in parenthesis.

More specific obstacles to attracting investment from China stem from problems of compatibility between the Chinese and Peruvian tax and legal frameworks and financial systems. This is made worse by the lack of professionals on both sides with appropriate language and cultural skills.

At a higher level, a serious challenge lies in the fact that although Peruvian policymakers have been successful at negotiating free trade agreements and other state – to – state accords, Peru does not seem to have as clear a strategy for following up on these opportunities, and the Peruvian state does relatively little to accompany, finance or otherwise support private entrepreneurs in this process. Indeed, although non-traditional export promotion is a stated objective of Peruvian authorities, it has not been given the kind of sustained attention and investment it requires in the current competitive environment. The drastic neoliberal reforms of the 1990s, enshrined in a new Constitution, have left a legacy of aversion to any state-guided industrial policies, or systematic investment and export sector promotion efforts. As a result, most business with Asia today is being driven by private companies and individuals with little assistance from government, thereby losing opportunities for better negotiation and better deals.<sup>39</sup>

Once a tender offer is won, and once the Chinese investors have complied with initial central government rules and regulations, they then find that they may have to communicate – and negotiate – with a large number of other parties. Depending on the type of investment, these may include popularly-elected regional and municipal authorities, indigenous communities, non-governmental organizations (NGO) and diverse media, as well as local bankers and business competitors. Such diversity of actors is normal in a

volatile democracy like Peru and successful Western investors have learned over time how to respond to them. Yet Chinese businesspeople and diplomats are less experienced at multi-stakeholder relations and less accustomed to demands for accountability from non-state actors. However, as recent studies of Chinese investment in the mining sector suggest, they are learning quickly.<sup>40</sup>

Latin America today accounts for nearly a third of total world mineral investment, and a growing share of this is expected to come from Chinese-owned firms, which own or participate in at least 35 major projects across South and Central America. As mentioned at the outset, policymakers in this region are concerned not only with avoiding the negative macroeconomic effects of excessive dependency on mineral exports. They are also concerned with issues of revenue transparency, with achieving adequate environmental and labor standards in the industry, and with having companies practice good community relations and corporate social responsibility.

Have Chinese state-owned firms reacted any differently than their peers in the industry, to social conflicts and to changing regulatory demands? This is the subject of ongoing research on both sides of the Pacific, and there is not space here to respond in detail.<sup>41</sup> However, we can say that in the initial cases in Peru, neither the Chinese investors nor their diplomats did due diligence on the conditions they would face, and Peruvian authorities may not have been forthcoming about these as well. This is especially the case in the North of Peru, where resistance to mining per se is high.

Meanwhile, in the case of Shougang, there were definitely mistakes made in engaging with the local union and municipal authorities, conflicts around labor rights and water management, with a reluctance to invest the time and money necessary to clean up the operation and engage various stakeholders adequately<sup>42</sup>. Although the Chinese government has a strong interest in making these investments work, they may have initially been too inexperienced, or too far away, to guide these such efforts.

Nonetheless, what we are observing today are processes of learning, on the part of Chinese investors and their political allies. This includes learning from other Chinese, from other firms in the industry, and from hiring the best managers and consultants in Peru to guide them through the process. Even Shougang, perhaps the most widely criticized Chinese mining case in South America, has made notable efforts to correct its errors, as well as to invest new resources in its operation.

At present, however, the most widely watched case is Toromocho, where Chinalco has committed to building a state-of-the art mining operation, a new water treatment plant, and carrying out a process of voluntary and participatory relocation, moving an entire town to new quarters in which living conditions are expected to improve for all. This has never been done before in Peru, and is apparently rare in China as well. For China, and for Peru, this project should show the world that both sides are serious about global standards. Only time will tell if this is the case.

## **Part IV: Final Remarks**

As stated at the outset, this paper aims to contribute to regional discussions about the nature and impact of Latin American relations with Asia, taking into account the diversity of countries that comprise that broad region as well as the commonalities that might emerge.

The underlying concern in the region is whether recent economic and trade relations with Asia help or hinder Latin American efforts to achieve sustained growth, diversify their economies and raising living standards for their populations. For some, including most heads of state, trade and investment with Asia is seen as an enormous opportunity to advance all of these goals. For others, however, the voracious Asian demand for raw materials brings the risk of greater Latin American dependency on primary commodity exports, and the displacement or undermining of national industries.

In the Peruvian case, as we have seen, there are deep historical ties with China and Japan, which facilitated the close relations being forged with both countries today. However, Peru has also opened new channels of interaction with South Korea and numerous other Asian partners. Trade with Asia in general, and China in particular, has contributed to Peru's booming economy over the last decade, and to its ability to weather the effects of the global financial crisis.

As we analyze the data – and the dynamics – of these relationships, we find that although Peru's trade with Asia tends to reinforce its overall position as a mineral exporter, the country has not experienced significant de-industrialization. To the contrary, through



pursuit of free trade agreements and new foreign investment, trade with Asia has increased in scope and diversity, with considerable increases in nontraditional exports to the region as well as traditional minerals, fisheries and foodstuffs. In fact, manufactured exports have grown at a faster pace with China than with other destinations. And although the relations are highly asymmetrical and not all sectors of the Peruvian economy have benefitted – those that face direct competition from Chinese imports have of course had a harder time – the net effect of expanded markets and access to lower priced intermediate goods appears to be positive for Peruvian industry.

We should also note that nontraditional export values have not been subject to the dramatic price fluctuations that affect primary goods, and instead are part of a genuine trade expansion and diversification effort. The commodity boom would have taken place with or without the FTAs: what these have done is enable diversification of trade in other goods, even with a context of high world minerals prices. Meanwhile, new investment from Asia, backed by state banks in the Chinese case, has enabled Peru to develop large-scale mineral projects with important spinoffs in other sectors of the economy, even amidst a context of global uncertainty.

Although Peruvian leaders and trade negotiators have been successful in obtaining new trade agreements, and the private sector reaction to these has led the economy forward, not backwards, political leadership and strategy have been lacking in the follow-up to these accords. On the most basic level, we find excessive bureaucratic obstacles to Asian investment in Peru, and a limited effort or ability to prepare the way for newcomers and their potential clients and stakeholders. Most public servants lack the necessary language

or cultural skills to assist Asian companies and professionals wishing to do business in Peru, or vice versa. And to date the Peruvian government has invested virtually nothing in developing research or training Peruvians in knowledge and skills needed to engage with Asia over the longer term.

On a higher level, once the State visits have ended and the agreements signed, there has been little effort to coordinate trade, investment and economic development policies to take better advantage of Asian opportunities. For example, more pro-active public policies are needed to enhance the industrial capabilities of Peruvian firms in nontraditional sectors, and synchronize private actions. Government should work with firms and guilds to obtain better negotiation positions *vis-à-vis* Asian partners, and to expand cooperation in areas such as technology transfer and capacity building. In many parts of the country there is a serious lag in infrastructure – ports, airports, roads and transportation systems, water and energy – all of which is needed to accompany and expand new private investment. With the mining sector itself, more needs to be done to encourage clusters, organize the many firms that supply goods and services to the industry, and generate opportunities for many more people.

Peru has made enormous strides across the Pacific, but they are still tentative steps. Without greater leadership, coordination and strategy, without more investment of time and resources from government, trade agreements will remain superficial and their longer term benefits will not be fully realized.

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- <sup>34</sup> Japanese-Peruvian Businessman. Interview with Alexis Yong, Lima, 21 May 2013
- <sup>35</sup> "Asian investors keen on Lima metro line 2 and South Andean pipeline," Andina, 10 April 2013. Available at: <http://www.andina.com.pe/ingles/noticia-asian-investors-keen-on-lima-metro-line-2-and-south-andean-pipeline-454443.aspx>
- <sup>36</sup> Sanborn, Cynthia and Victor Torres. *La economía china y las industrias extractivas: desafíos para el Perú* (Lima: Universidad del Pacífico, 2009).
- <sup>37</sup> The Rio Blanco project in the Northern region of Piura, was purchased by the Xiamen ZijinTongguan Investment Development (Zijin Consortium) for US\$182 million. Galeno, in the Cajamarca region and adjacent to the Newmont-owned Conga project, was purchased by Minmetals Nonferrous Metals Company and Jiangxi Copper Company. Toromocho, in the historical central mining region of Junín, was purchased by the Aluminum Company of China (Chinalco) for US\$790 million.
- <sup>38</sup> Sino-Peruvian Businessman. Interview with Alexis Yong. Lima, 15 May 2013
- <sup>39</sup> Wise, Carol. "Tratados de libre comercio al estilo chino: los TLC Chile-China y Perú-China," Centro de Investigación de la Universidad del Pacífico. Apuntes Vol. XXXIX N°71: p. 161 – 188
- <sup>40</sup> Sanborn, Cynthia and Juan Luis Dammert B. "Natural Resource Extraction, Economic Development and Social Inclusion: Peru". Americas Quarterly Special Report, February 16, 2013
- <sup>41</sup> See for example Torres and Sanborn (2009), and Gonzalez Vicente, R. (2013). "Development dynamics of Chinese resource-based investment in Peru and Ecuador." Latin American Politics and Society, Volume 55, Issue 1, p. 46-72, Spring 2013; and Irwin, Amos and Kevin Gallagher (2013). "Chinese mining investment in Latin America. A Comparative Perspective", The Journal of Environment and Development 22:2, 207-234.
- <sup>42</sup> See Irwin and Gallagher, op cit.