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# Peru's Economic Boom and the Asian Connection

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# Introduction

- Peru's success story: minerals + sound policy + trade expansion
- Relations with Asia key
  - China, Japan, Rep. of Korea
  - Demand for minerals
- Risks of dependency? (resource curse)
- Responses
  - Global standards in mining /CSR
  - FTAs / Diversification of trade
- Results? Net positive, dynamism, not case of de-industrialization.

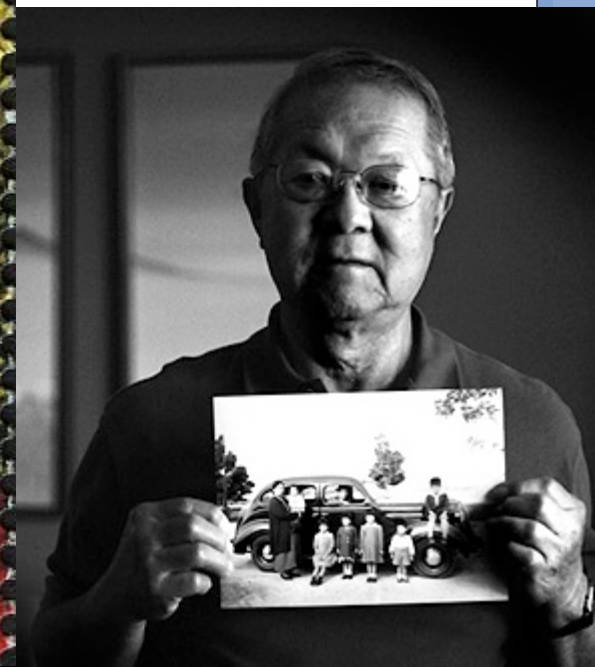
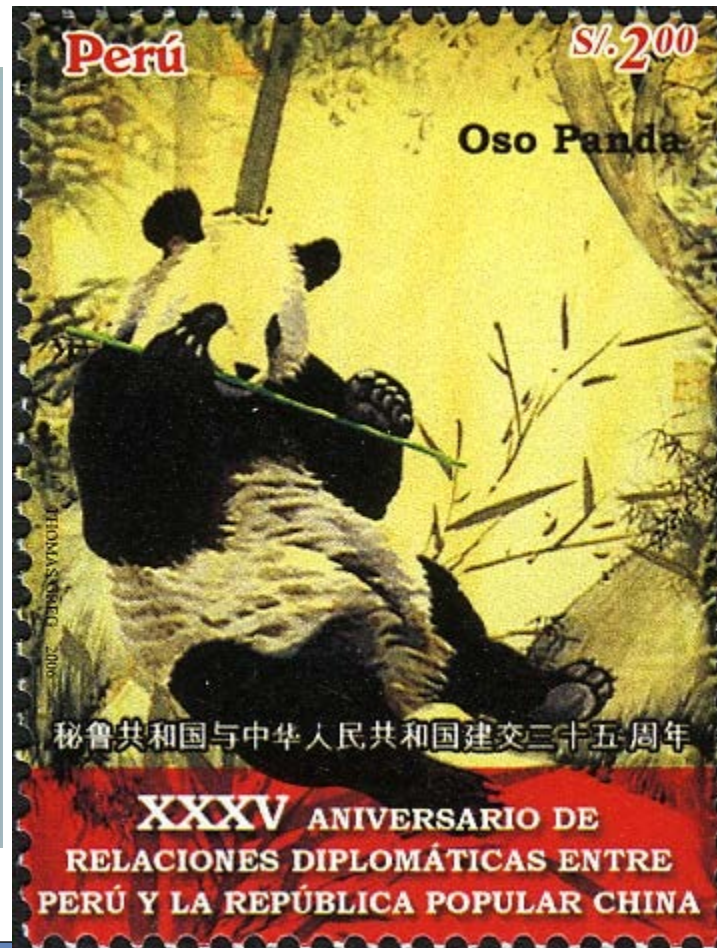
# Peru – Asia history: how important?

## CHINESE BONDAGE IN PERU

A HISTORY OF THE CHINESE COOLIE  
IN PERU, 1849-1874



WATT STEWART



# Peruvian trade with Asia

- APEC 1997 - 18 FTA 2013 (5 Asia)
- 92% with 3 countries
- China #1 trade partner, 17% exports
  - 83% = copper, iron, lead, fishmeal
- Imports from China
  - 54% goods for industry, 17% consumer
  - Mixed impact / net positive
- FTA: dynamism & diversification



# Peruvian Trade Agreements

En vigencia



Comunidad Andina



Estados Unidos



China



Singapur



México



MERCOSUR  
MERCOSUR



Canadá



Corea del Sur



EFTA



Cuba



Chile



Tailandia



Japón



Panamá



Unión Europea

Firmados



Costa Rica



Guatemala



Venezuela

En negociación




El Salvador




Honduras

Alianza del Pacífico



Chile



Colombia




Tailandia




México


Asociación Transpacífico (TPP)




Australia




Brunei




Canadá




Chile




Malasia




México




Nueva Zelanda



Singapur



Estados Unidos

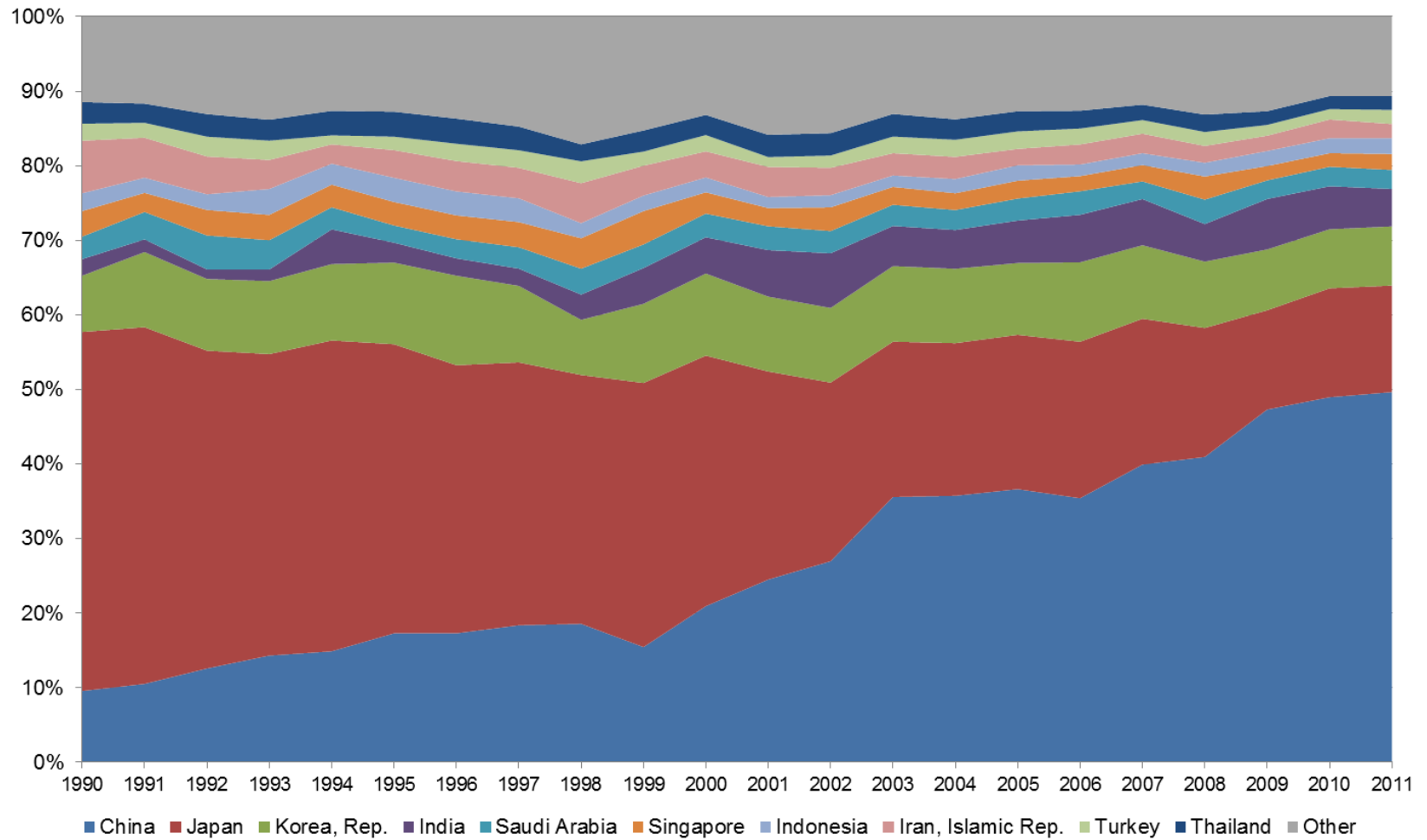


Vietnam

## Asian trade summary

- Increased total trade, total number of Peruvian exporters, number and variety of non-traditional goods
- 95% traditional (minerals prices), but non-traditional growing fast
- Manufacture exports grew 46% to China, vs 13% world
- Chemicals, agro, metallurgical
- Japan similar, Korea more value-added

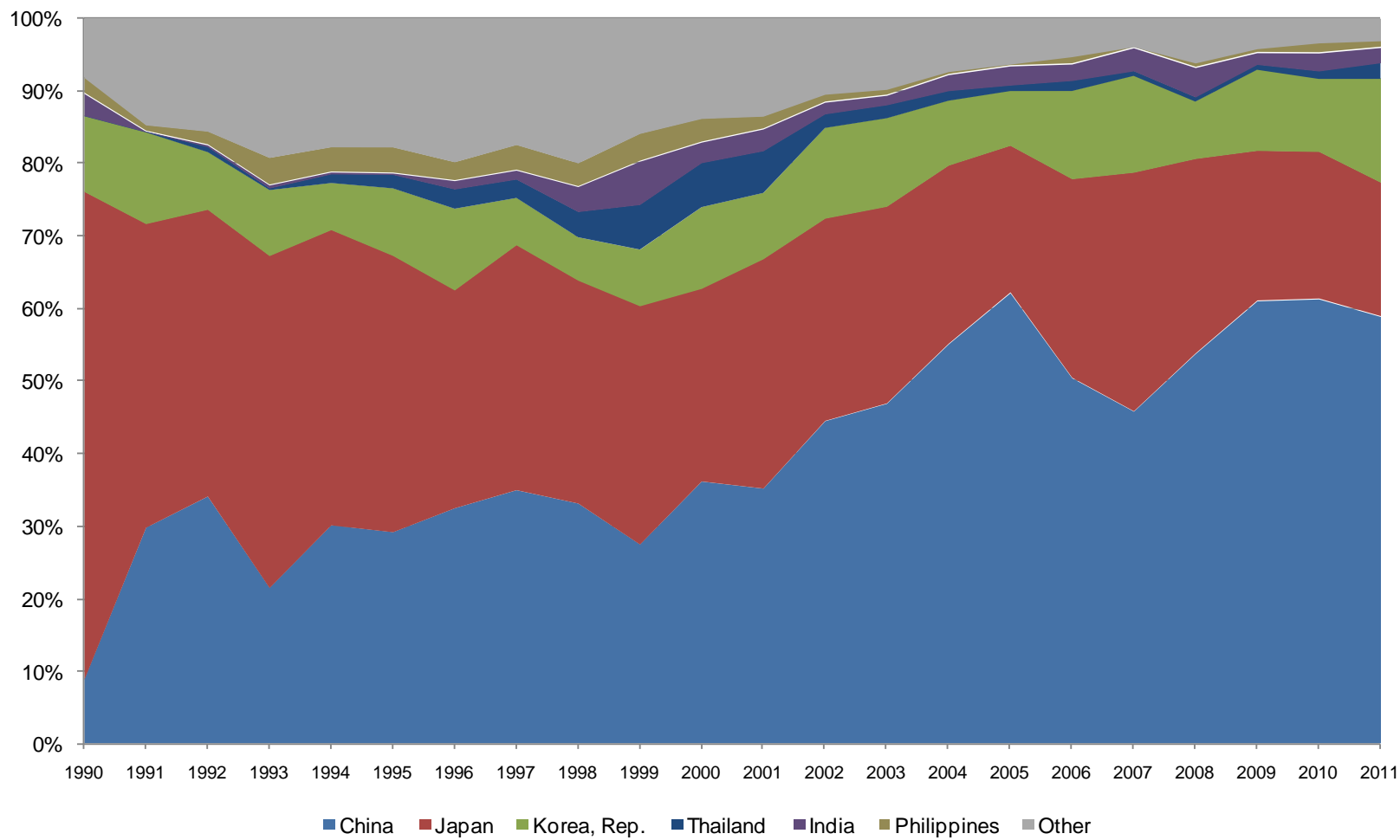
Figure 1. LAC exports to Asia, by destination country 1990 – 2011  
(share of total exports to Asia)



Source: Authors' calculations based on UN COMTRADE

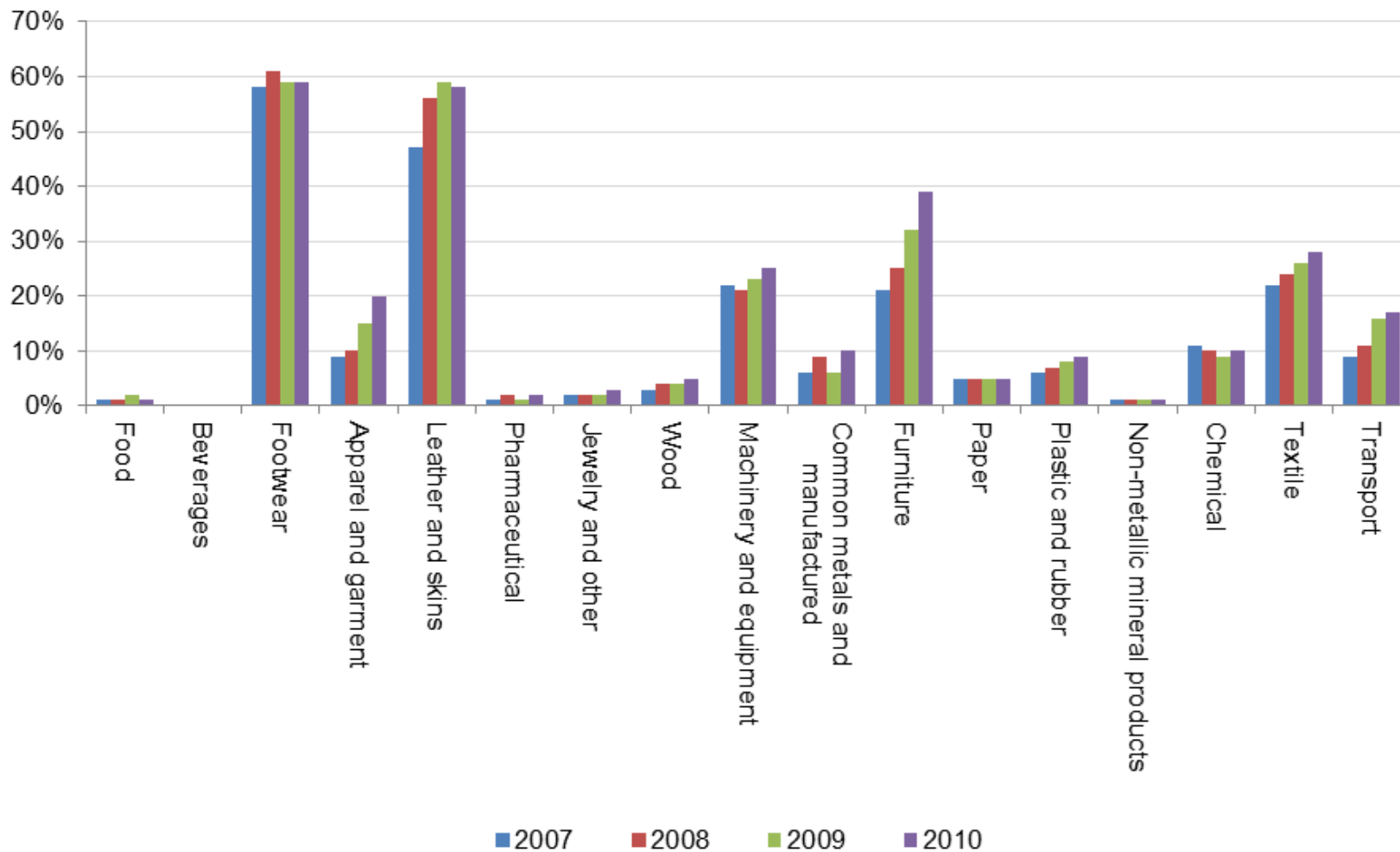


Figure 2. Peru exports to Asia, by destination country 1990 – 2011  
(percentage of total exports to Asia)



Source: Authors' calculations based on UN COMTRADE

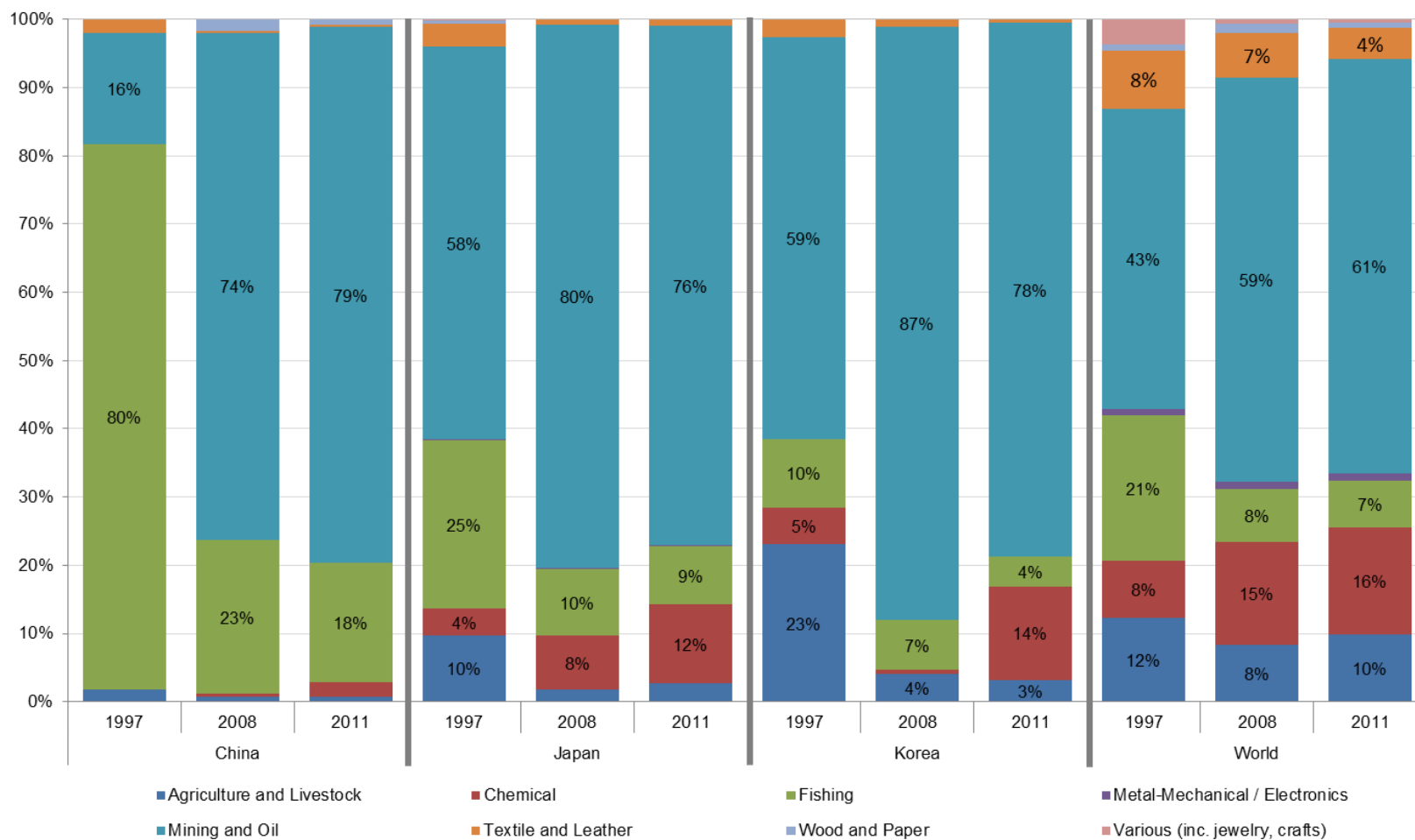
### Figure 3. Penetration of imports from China into the Peruvian market, by sector



Source: Cárdenas and Gavilano (2013)

# Figure 4. Peru exports by sector to Asia main trading partners and the World, 1997, 2008, 2011

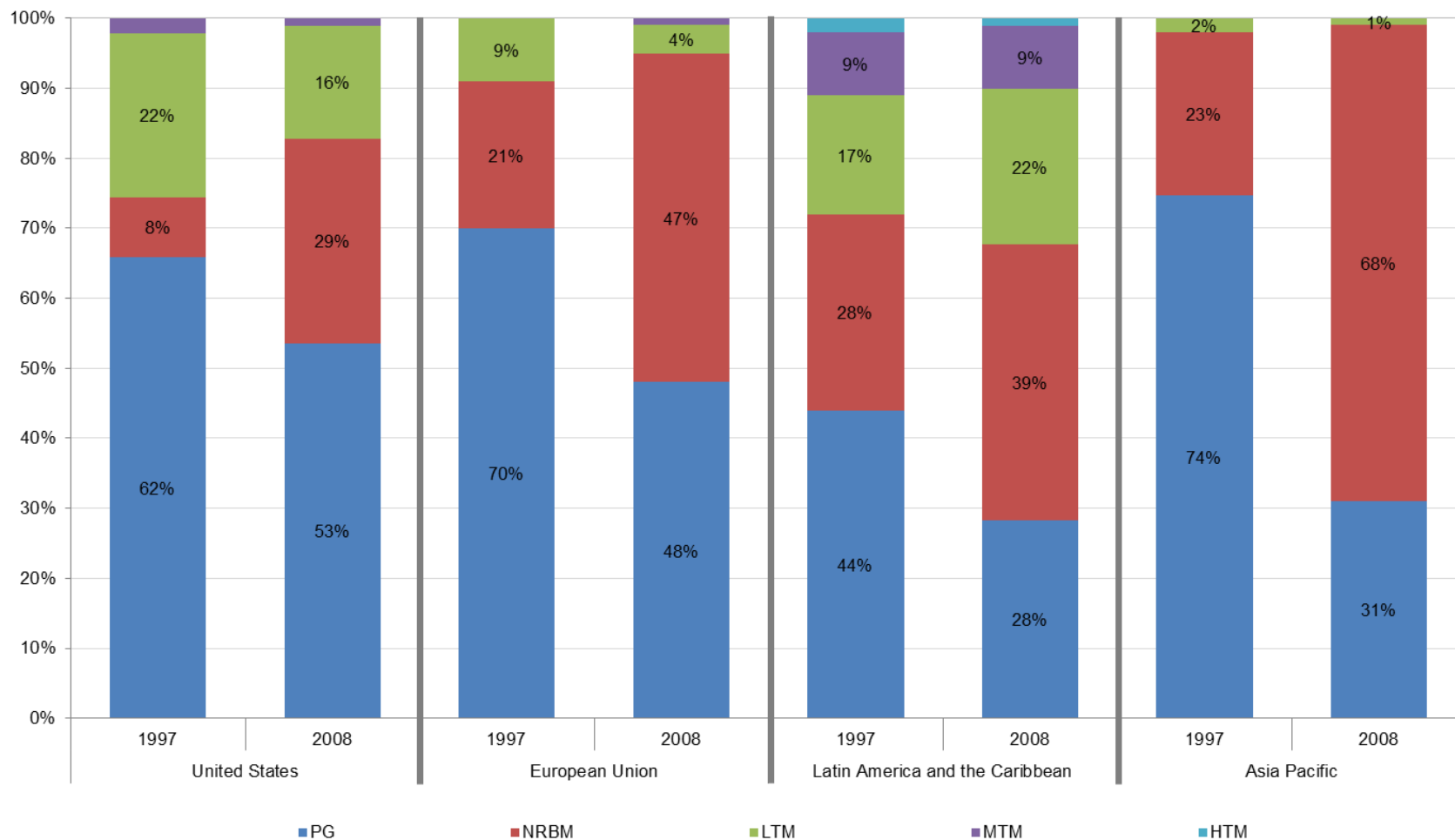
(share of total exports to main destinations)



Source: Authors' calculations based on UN COMTRADE

## Figure 5. Peru export structure to main destinations, 1997 – 2008

(percentage of total exports from main destinations)

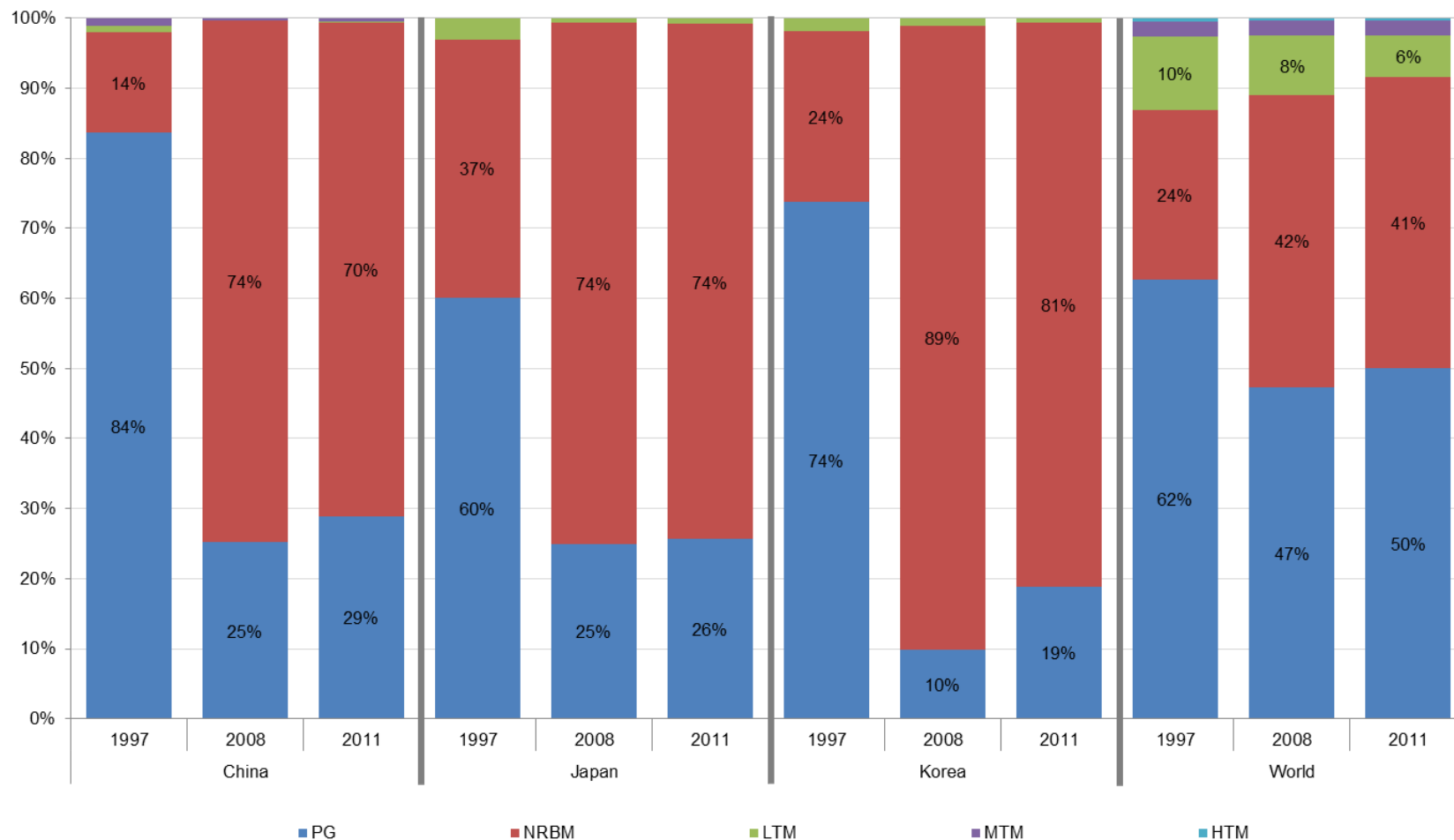


Source: Authors' calculations based on UN COMTRADE

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

# Figure 6. Peru export structure to Asia main trading partners and the World, 1997, 2008, 2011

(share of total exports to main destinations)



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

## Table 9. Top 10 Peruvian exports/imports to/from China on 2011

	Level of technology sophistication	Sector	Commodity Code (HS)	Commodity Description	Trade Value
Exports	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
	NRBM	Mining & Oil	260800	Zinc ores and concentrates	256,397,372
	PG	Mining & Oil	790111	Zinc, not alloyed, unwrought, >99% pure	125,165,953
	NRBM	Fishing	160590	Molluscs and shellfish nes, prepared or preserved	122,360,116
	PG	Mining & Oil	740200	Unrefined copper, copper anodes, electrolytic refinin	91,229,794
	NRBM	Mining & Oil	261610	Silver ores and concentrates	77,580,826
Imports	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	Toys nes	109,711,716
	HTM	Metal-Mechanical & Electronics	851730	Telephonic or telegraphic switching apparatus	98,330,643
	MTM	Metal-Mechanical & Electronics	870422	Diesel powered trucks weighing 5-20 tonnes	79,168,676
	HTM	Metal-Mechanical & Electronics	847192	Computer input or output units	76,538,742
	LTM	Various (inc. jewelry, crafts)	640299	Footwear, outer soles/uppers of rubber or plastic, ne	74,444,463
	HTM	Metal-Mechanical & Electronics	847330	Parts and accessories of data processing equipment ne	72,323,698



# Asian investment in Peru

- FDI lags well behind EU (Spain, UK), US
- Japan
  - 1960s & 70s: instability & crisis, moved to Colombia, Chile
  - 2013: mining
- S. Korea today: mining
  - FTA 2011, strategic association
  - Airplanes (KOTRA), industrial & tech coop

## Table 6. Actual and announced investments from Japanese companies

Sector	Project	Japanese Company	Investment (in million USD)	Comments
<b>Mining</b>	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	Mitsubishi3/	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

**Sources:**

1 / Reuters. "Brazil Vale sells Bayovar stake to Mosaic, Mitsui". March 31, 2010. Gestion, "Japanese Investment in Peru bordering the US\$6 billion" February 11, 2011

2 / INEI. "Investment in mining by company: 2009-2011". Retrieved May 8, 2013.

3 / Antamina. Official Website.

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

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

## Table 7. Actual 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	Korea Resources, 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
	Desalination Plant - Cerro Lindo	Doosan 7/	n.a.	To be completed by 2013
Fishery	Pesquera Diamante S.A. acquisition	Dongwon Industries Co 8/	n.a.	Not confirmed

**Sources:**

1 / Central Reserve Bank of Peru. "Inflation Report March 2013":

2/3/4 / Korea National Oil Corporation, Operations

5 / Andina. "Korean firms investment in Peru would sum U.S. \$ 6.600 billion." August 12, 2011.

6 / Peru 21, "South Korea wants to invest in the energy sector in Peru". February 26, 2012. Ministry of Energy and Mines, "Expected portfolio of mining projects." January 2013.

7 / Doosan. "Doosan water plants". Retrieved May 8, 2013.

8 / Business Week. "Reportedly Eyes Dongwon Fisheries, Dongwon But Does Not Disclose Confirms Target Name". Retrieved May 8, 2013.

## Table 8. Actual 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 Min Metals Corporation 2/ Jiangxi Copper Company Ltd. 3/	2500	Possibly completed on 2014-2015 China Min Metals Corporation (60%), Jiangxi Copper Company Ltd. (40%)
	Extension of Marcona mine	Shougang Hierro Peru (Shougang Corporation) 4/	1200	In progress
	Pampa de Pongo	Nanjinzhao 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%)
	Cercana project (Yarabamba, Arequipa)	June field Group 9/	to be defined	Exploration
	Llama TY01 (Huancano, Ica)	Jintong Mining 10/	to be defined	Exploration
		Shandong Exploration 11/	n.a.	Exploration
		Anhui Exploration 12/	n.a.	Exploration
		Hebei Exploration 13/	n.a.	Exploration
Oil & Gas	Block 6 / 7 (Talara, Piura)	China National Petroleum Corporation (CNPC) 14/	n.a.	Since January 1994 and October 1995.
	Block 111/113 (Madre de Dios)	China National Petroleum Corporation (CNPC) 15/	n.a.	Project in exploration phase
	Block 1AB (Olaya, Loreto)	China National Petroleum Corporation (CNPC) 16/	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) 17/	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%).

# Chinese investment in Peru

- 1992: Shougang – Hierro Peru
  - First major China overseas investment
  - 1994: CNPC (Talara)
- 2007-2008: Boom in new investment
- China today is #10, but single largest in mining, 23% projected mining portfolio
- Obstacles to investment in other sectors, role of government weak



# China and global standards



秘魯铁矿采矿场局部

View of partial mining bed of Shougang Hierro Peru S. A. A



# Final remarks

- Deep historical ties, and new relations
- Asia trade reinforces Peru as mineral exporter, but does not significantly de-industrialize
- FTA help diversify trade, non-traditional exports increase
- Post-FTA: largely private initiative
- Weaknesses of State & political leadership



Thank you

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