

PERU RELATIONS WITH ASIA: CURRENT SITUATION AND POLICIES TO MAKE THIS MORE BENEFICIAL

Author: Carlos Aquino Rodriguez,
Professor at the Faculty of Economics
Director, Institute of Economic Research, Universidad Nacional Mayor de San Marcos, Lima, Peru
Advisor to the Ministry of Foreign Affairs of Peru in themes of APEC

Abstract: In the last two decades, Peru has increased its economic and political relations with East Asian countries. This has been accelerated since the incorporation of Peru to the Asia Pacific Economic Cooperation forum, APEC, in 1998 and the various trade agreements that Peru has made with countries of that region.

In addition, the economic stability that Peru achieved from 1990 onwards, and the sustained growth that has achieved since 2000 has made Asians look to Peru as a country of opportunities. The raw materials that Peru possesses are also a magnet for Asian countries.

However, as more than 90% of Peruvian exports to that region are just raw materials and Peru buys from them manufactured goods, the trade relationship is asymmetric.

In order for this relationship to be more balanced and profitable we could learn from the example of East Asia countries, which went from being a region where several of them also exported mainly raw materials to export manufactured goods, by the incorporation of science and technology. Besides this, Peru must also make more efforts to get to know the region and its markets.

The East Asia is the fastest growing region in the world, it will keep growing, and the relationship with them will be growing too, and China has already become the largest trading partner of Peru.

Keywords: Peru-Asia economic relations, exports to Asia, China, Japan

This study analyzes mainly the economic relation of Peru with countries of East Asia region, members of APEC. This region is becoming more important in the world, with China leading the way.

In the first part we will see in the introduction the history of relations between Peru and the Asian region, the present political relationship and the growing importance of this region in the world economy, in the second part we will see trade relations of Peru with the East Asia countries, in the third part the investment of these countries in Peru is analyzed, in the fourth part the magnitude of the economic cooperation from these countries, and fifth and last part some conclusions and policy recommendations are given.

I. INTRODUCTION:

The Asian region in study is the East Asia, the Asian countries bathed by the waters of the Pacific Ocean. This study specifically examines the relationship with the following countries/economies: China, South Korea, Hong Kong, Indonesia, Japan, Malaysia, Singapore, Thailand, Taiwan, and Vietnam, but also Australia, New Zealand and even Russia are mentioned. These countries, along with Papua New Guinea and Brunei, are the 16 APEC member economies in the Asian side. We won't see the relationship with the latter two economies as this is pretty small. As you know the APEC has 21 members, 16 on the Asian side and five on the American side, the latter are USA, Canada, Chile, Mexico and Peru

For economic relations we refer to those of trade, investment, but also economic cooperation.

With several of these countries, Peru has a long history of relations in the area of immigration, diplomatic contacts, and trade.

Peru was the first Latin-American country that accepted massive immigration from China, and from 1849 to 1872 it is estimated that some 100,000 citizens of that country arrived to Peru, as workers (coolies), and also from 1899 Japanese citizens began to arrive to Peru, and it is estimated that until the second decade of the twentieth century came in a number of 25,000. This has meant that Peru has now the largest Chinese community in Latin America and the second largest of Nikkei (Japanese descendants), after Brazil in the region. From 1990 onwards Koreans also began to arrive though their number is small yet.

Moreover, Peru was the first Latin American country to establish diplomatic relations with Japan, in 1873, and with China the following year.¹

In the 1920s there was a fluid trade with Japan, and this country exported a lot of textile and clothing to Peru. It had already become the most efficient producer in the world at that time of these products and these flooded world markets, so much that at the end of that decade the textile and clothing sector in Peru asked to the government to impose a quota for Japanese imports because of the strong competition in the national market.

East Asia is gaining presence in the global economy. There is China (the second largest economy in the world), Japan (the third), South Korea (the fifteenth). The fastest growing economies in the world are in East Asia. See Table 1

The high growth rate of Korea and Indonesia will make sure that they will be among the 10 largest economies in the world over the course of a decade.

TABLE 1: COUNTRIES BY GDP SIZE, BILLION OF DOLLARS

Countries	Gross Domestic Product (GDP), 2012	Average annual growth% * 2000-2010
1. USA	15,684.8	1.9
2. China	8,227.1	10.8
3. Japan	5,959.7	0.9
4. Germany	3,399.5	1.0
5. France	2,612.8	1.3
6. England	2,435.1	1.6
7. Brazil	2,252.6	3.7
8. Russian Federation	2,014.7	5.4
9. Italy	2,013.2	0.3
10. India	1,841.7	8.0
11. Canada	1,821.4	2.0
12. Australia	1,520.6	3.3
13. Spain	1,349.3	2.4
14. Mexico	1,177.2	2.2
15. Korea	1,129.5	4.1
16. Indonesia	878.0	5.3

Source: The World Bank, Data, GDP. <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

**World Bank, "World Development Report 2012", Selected World Development Indicators 2012, from Table 4.*

¹ See the book by Carlos Aquino: "Relaciones Perú-Japón: Diplomacia, Inmigración, Economía y Política"

Peru in recent years has increased its relations with the region and China since 2011 became the largest export destination and biggest trading partner.

The scope for more relations with Asia is huge, given the speed of economic growth in those countries. Especially when the global economy faces the prospect of a slower growth, the Asian region continues to grow at high rates.

For example, it appears that China will become the world's largest economy around 2020. The other Asian countries also continue to grow, although Japan, which is already a mature economy, faces some problems, and grows little.

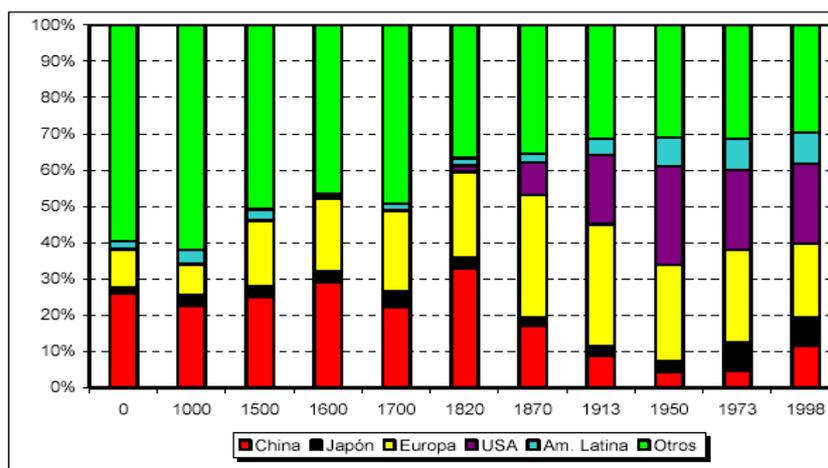
China, which began its economic reforms in 1979, draws special attention as it has grown for 33 consecutive years until 2011 at an average annual rate of 10%, something unprecedented in world history. Now, this should not be much of a surprise if we know something about the history of China and its economic development. Actually China is recovering the place it had had in the world economy, which it lost in the last two centuries. It is estimated that by the year 1820 China's economy represented one third of global GDP. See Graph 1. This was reduced to almost 4% in 1950, its lowest point.

China went through a period of economic decline, when the Industrial Revolution began in the West in the late XVIII century and the benefits of this make the European countries first and then the U.S. to grow rapidly. China lost that opportunity because it became isolated from the world from the early seventeenth century.

This was worsened when it was opened by force by Western countries in the second half of the nineteenth century, and combined with the wars and revolutions it suffered, made it reaches its lowest point in 1949 when the communist revolution occurred that year. But since 1979 the country began again to grow and regain its position in the world.

CHART 1: SHARE OF CHINA AND SOME COUNTRIES IN THE GLOBAL ECONOMY

Participación por países seleccionados en la economía mundial, 0-1998
(porcentaje del PIB mundial, medido en paridad de poder de compra)



Fuente: Maddison (2001).

Source: "El surgimiento de China: Una visión desde América Central", Manuel R. Agosin, y otros
<http://www.iadb.org/regions/re2/surgimiento%20china%2004-10-29.pdf>

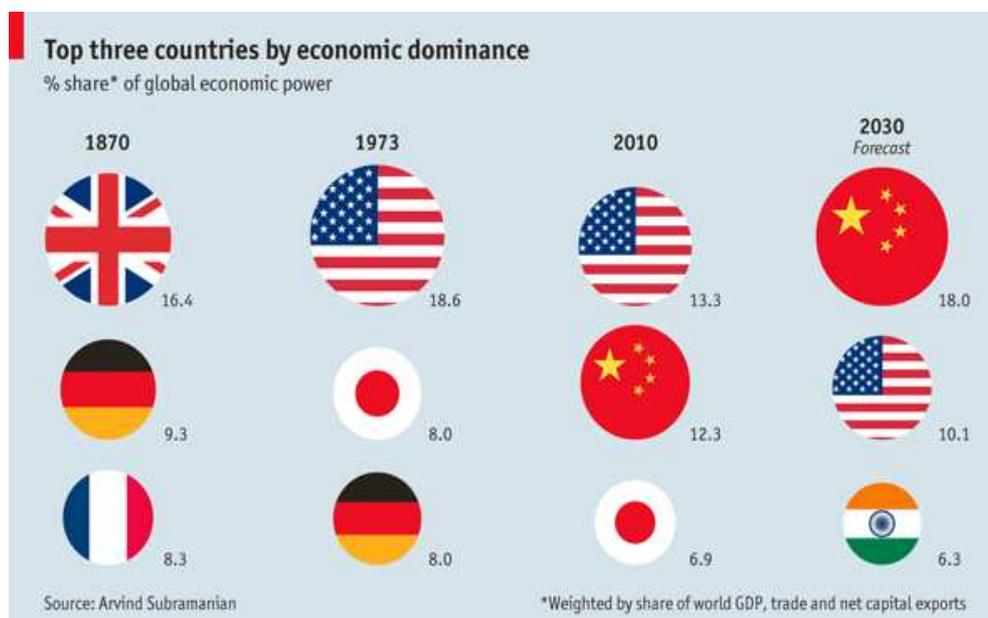
Another reason of why we should not be surprised by China growth is that this rapid growth is not unique, it is a model already seen in East Asia, with Japan, Korea, Taiwan and others, who for more than 20 or 30 years also grew at high rates. That model included government intervention in the economy, protection of its domestic industry and an orientation of its economy to the world markets².

Finally China has nearly one fifth of the world population, the largest in the world, so the size of its market and its population allows China to grow more than other Asian countries and become the largest economy in the world.

China has now become the world 's second largest economy, with a Gross Domestic Product (GDP) of nearly 8.2 billion dollars in 2012³, an increase of almost 7 times compared to 2000, and its GDP per capita has increased from 949 dollars to almost \$6,100 in the same period (an increase of more than 6 times) .

At the rate that China is growing, and as predicted by many institutions, in some years it will overtake the U.S. to become the world's largest economy⁴. See Graph 2.

GRAPHIC 2: THE THREE LARGEST ECONOMIES: 1870, 1973, 2010, AND 2030



Source: <http://www.economist.com/blogs/dailychart/2011/09/global-economic-dominance>

But as indicated, not only China is growing at high rates but also other Asian countries. As seen in the following Graphic, the East Asian countries have grow, is growing and will continue to grow at higher rates than any other region in the world.

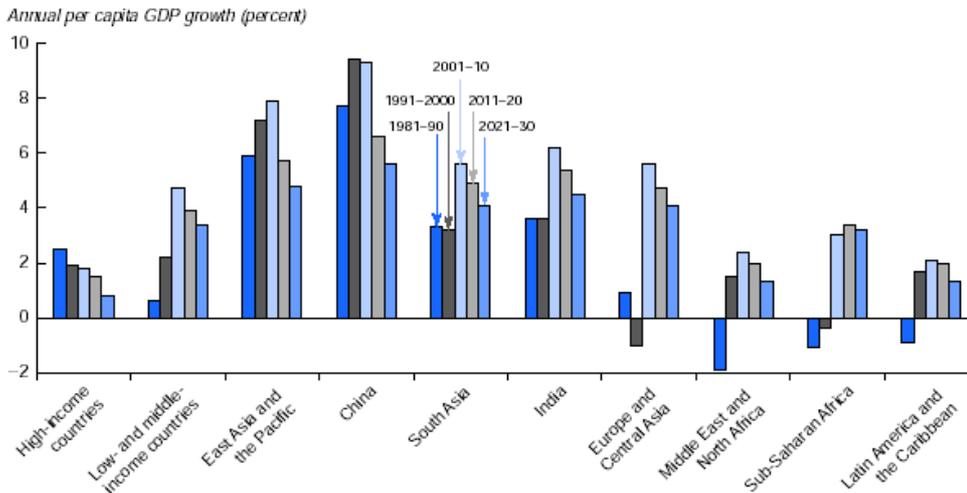
² See about this the book of Carlos Aquino: "Introducción a la economía asiática"

³ The World Bank, Data, GDP. <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

⁴ "Becoming number one: China's economy would overtake America's within a decade", The Economist, setiembre 24, 2011: <http://www.economist.com/node/21528987>

GRAPHIC 3: LONG-TERM GROWTH, 1980-2030

Figure 1.27 Long-term growth, 1980-2030



Source: World Bank data and simulations with the Linkage model.

Source: World Bank: Global Economic Prospects 2008

<http://siteresources.worldbank.org/INTGEP2008/Resources/complete-report.pdf>

In the table below we can see how China and East Asia will continue to grow at higher rates than other countries or regions in the coming years, despite the current global economic uncertainty.

TABLE 2: GLOBAL ECONOMY: SUMMARY OF PROJECTIONS

World economy: Forecast summary

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real GDP growth (%)										
World (PPP* exchange rates)	2.5	-0.8	5.1	3.8	3.0	2.9	3.6	3.8	4.1	4.2
World (market exchange rates)	1.3	-2.3	4.0	2.6	2.2	2.0	2.7	2.8	2.8	2.8
US	-0.3	-2.8	2.5	1.8	2.8	1.6	2.6	2.4	2.5	2.4
Japan	-1.1	-5.5	4.7	-0.5	1.9	1.7	2.1	1.6	1.0	1.1
Euro area	0.2	-4.4	1.9	1.6	-0.6	-0.5	0.7	1.1	1.3	1.2
China	9.6	9.2	10.4	9.3	7.8	7.5	7.3	7.0	6.9	6.4
Eastern Europe	4.6	-5.6	3.5	3.9	2.1	1.9	3.1	3.6	3.8	4.1
Asia & Australasia (excl Japan)	5.6	5.1	8.5	6.5	5.3	5.6	5.8	5.8	5.8	5.8
Latin America	3.9	-1.9	5.9	4.3	3.0	2.7	3.5	3.6	3.8	3.8
Middle East & North Africa	5.4	1.9	5.3	2.5	3.9	2.9	4.0	4.5	4.8	5.0
Sub-Saharan Africa**	4.9	1.3	4.6	4.6	4.1	3.9	4.8	5.0	5.6	5.7
World inflation (%; av)	4.5	1.6	3.1	4.2	3.5	3.1	3.4	3.5	3.4	3.4
World trade growth (%)	2.5	-11.7	14.0	6.3	2.4	3.7	5.2	5.4	5.5	5.6
Commodities										
Oil (US\$/barrel; Brent)	97.7	61.9	79.6	110.9	112.0	107.0	104.8	107.3	103.8	97.0
Industrial raw materials (US\$; % change)	-5.4	-25.6	44.8	21.7	-20.3	-3.3	6.6	3.5	1.7	2.7
Food, feedstuffs & beverages (US\$; % change)	28.0	-20.3	10.7	30.1	-3.4	-8.8	-6.6	-1.4	1.2	3.2
Exchange rates (av)										
¥:US\$	103.4	93.6	87.8	79.8	79.8	98.2	102.0	103.0	102.0	101.0
US\$:€	1.47	1.39	1.33	1.39	1.29	1.30	1.27	1.26	1.26	1.27

* PPP = Purchasing-power parity. ** Refers to Angola, Kenya, Nigeria and South Africa only. Source: Economist Intelligence Unit.

Global Forecasting Service September 2013

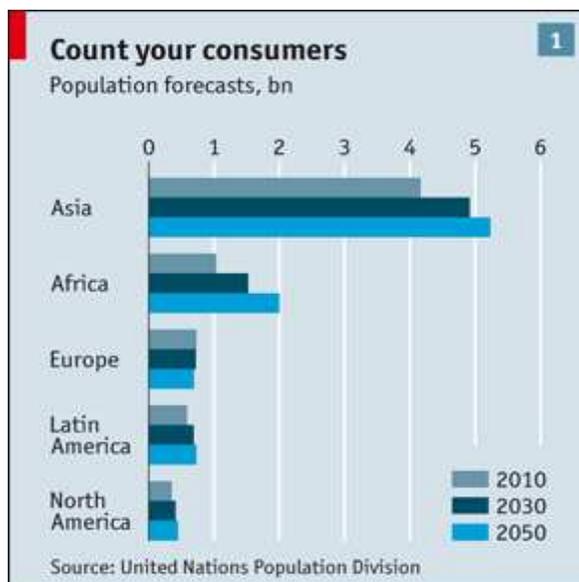
gfs.eiu.com

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Source: Economist Intelligence Unit, Global Forecasting Service, September 2013

Finally, as shown in the following Graphic, one of the reasons why Asia will keep growing is that is the most populated region in the world, and this will continue to be so, while in other regions population will grow slightly, or decrease (as in Europe). That's why the market is in Asia, because a growing numbers of consumers are there (and there is still a huge pool of cheap labor in this region).

GRAPHIC 4: THE MARKET, THE CONSUMERS ARE IN ASIA



Source: http://www.economist.com/specialreports/displaystory.cfm?story_id=15879369

As shown in the following Table 3, countries in the Asian region are important participants in global trade. China, Japan, Korea, Hong Kong, Singapore and Chinese Taipei (Taiwan) are among the top 17 exporters and / or importers. Up to 30th place is included also Thailand, Malaysia, and Indonesia.

In summary, the Asian region, especially the East Asia, has grown, is growing and will grow faster than any other region in the world, and therefore the need for Peru to relate more to them and take advantage of these growing markets.

As commented before, Peru has very old diplomatic relations with China and Japan. In 1971 it established diplomatic relations with the new People's Republic of China. In 1963 it had established diplomatic relations with the Republic of Korea (South Korea), in 1965 with the Kingdom of Thailand, and in 1975 it established relations with Indonesia, among others.

Peru's relations with Asia have strengthened in the last 20 years. Since 1990 when the country opened its economy to the world, reduced barriers to imports, enacted a policy to attract investment from abroad and embarked on the task of getting more involved with Asia, signing free trade agreements (FTAs), trade with Asia increased, as well as investment from those countries.

Thus, Peru is present in the Asia-Pacific Economic Cooperation forum, APEC, together with China, Japan, South Korea, Taiwan, Hong Kong, Singapore, Malaysia, Indonesia, Thailand, Philippines, and Vietnam. Peru joined this forum in 1998, and in 2008 an APEC leaders' summit was held in Lima (and again in the year 2016 an APEC Summit meeting will be held in Lima).

Since the 1990s Peru started a political rapprochement with this region, when it began opening embassies in several of them.⁵

Until 1990 there were only Peru Embassies in Japan, China and South Korea. It opened embassies in Malaysia, Thailand, Singapore, Vietnam (soon to be installed), Indonesia and the Philippines (although there is now only a Consulate in Manila). Many of these countries also opened embassies in Peru.

Political relations with the countries in the Asian region are at a good level. In the first half of the past decade Peruvian government relations with Japan were a bit cool since former President Alberto Fujimori, of Japanese descent, sought refuge in Japan in 2000 and the Peruvian government requested his extradition to stand trial on various topics. Fujimori left Japan in 2005 for Chile and in 2007 was extradited to Peru from this country.

Just in this year, for example President Ollanta Humala has made state visits to China, Korea and Japan, and at the meeting of the APEC summit in Bali in October this year, he met with several of them again, and also visited Thailand days before the APEC meeting. It is also said that President Humala has a very special relationship with South Korea because he stayed there for about half a year as a military attaché in the second half of 2004.⁶

TABLE 3: WORLD LEADING EXPORTERS AND IMPORTERS OF GOODS, 2012 (BILLIONS OF DOLLARS)

Ranking of Countries	Export Amount	Ranking of Countries	Import Amount
1. China	2,049	1. USA	2,335
2. USA	1,547	2. China	1,818
3. Germany	1,407	3. Germany	1,167
4. Japan	799	4. Japan	886
5. Holland	656	5. United Kingdom	680
6. France	569	6. France	674
7. Republic of Korea	548	7. Holland	591
8. Russian Federation	529	8. Hong Kong	554
		- Retained Imports	140
9. Italy	500	9. Republic of Korea	520
10. Hong-Kong	493	10. India	489
- Domestic Exports	22		
- Re-exports	471		
11. United Kingdom	468	11. Italy	486
12. Canada	455	12. Canada	475
13. Belgium	446	13. Belgium	435
1. Singapore	408	14. Mexico	380
- Domestic Exports	228		
- Re-exports	180		
15. Kingdom of Saudi Arabia	386	2. Singapore	380
		- Retained Imports	199
16. Mexico	371	3. Russian Federation	335
17. Chinese Taipei	371	4. Spain	332

Source: World Trade Organization: World Trade Report 2013, Appendix Table 1.2, page 33

⁵ Mann Stefanie: "Peru`s relations with Pacific Asia" 2006, Lit Verlag Publishing House.

⁶ It is said that this may be what tipped the balance for Peru to decide to initiate the assembly of training aircraft for its air force with South Korea, and not Brazil (to the annoyance of the latter). See "Perú producirá aviones de guerra", March 4, 2013: <http://peruhistoriaygrandeza.blogspot.com/2013/03/peru-producira-aviones-de-guerra.html>

Besides APÊC, Peru belongs to other interregional organizations with East Asian countries. These are FEALAC, the Forum for East Asia and Latin American Cooperation⁷, PECC, the Pacific Economic Cooperation Council⁸, and PBEC, The Pacific Basin Economic Cooperation organization⁹.

This author has participated in these organizations in several occasions. In 2011 the Foreign Ministers of the 36 FEALAC member countries created the Vision Group of Experts to provide them with a document for a roadmap to the organization. This group of experts met four times from March 2012 to June 2103, and in the last meeting of June in Bali, Indonesia, they presented this document to the Foreign Ministers that met that month in Bali also. This author was the Chairman of this Vision Group in the last two meeting (and the Vice Chairman in the first two meetings)¹⁰.

During the years 1997 to 2002 this author also participated in PECC meetings as Peru representative in the Human Resource Development Working Group of this organization, and was the Deputy Director of the Peru Committee in the PBEC, from April 1999 to April 2002.

II. TRADE

Peru's foreign trade has grown enormously in recent years. In the year 2012 exports accounted for 22.9% of GDP reaching \$45.639 million dollars (though it was 26.2% of GDP in 2011), when in 1993 was only \$3.344 million dollars and represented 12% of GDP. The degree of openness of the economy (measured by its total external trade compared to the size of the economy) reached 43.4% of GDP in 2012. Especially trade with Asia grew dramatically. This has been a result of trade liberalization policies that were implemented from 1990 onwards, resulting in free trade agreements, FTA, which the country has signed in a total of 54 at the end of 2012, and because of the high demand for raw materials that Peru possesses.

Peruvian exports are generally of primary products and its imports are of manufactured products. From the export side, 70% were mining and oil in 2012. See Graph 5. While still it has a great dependence on these products, the export basket is diversified: copper, gold, lead, zinc, iron, refined silver are mainly exported. In any case, the great rise in the price of raw materials in the last decade turned out in Peru favor. See Graph 6.

GRAPH 5: PERCENTAGE COMPOSITION OF EXPORTS



Source: BCR, Memory 2012, page 69

⁷ FEALAC: <http://www.fealac.org/2011/about/info.asp>

⁸ PECC: <https://www.pecc.org/>

⁹ PBEC: <http://www.pbec.org/>

¹⁰ See FEALAC Newsletter vol.7, page 4: http://www.fealac.org/2011/news/release_view.asp

GRAPH 6: EXPORT PRICE INDEXES ACCORDING TO INDUSTRY SECTORS: JANUARY 2005 - JULY 2013 (BASE YEAR 2002 = 100)



Source: Instituto Nacional de Estadística e Informática, INEI: Perú en Cifras-Comercio Exterior: <http://www.inei.gob.pe/perucifrasHTM/inf-eco/cuadro.asp?cod=8539&name=comex04&ext=qif>

Trade relations with the Asian region increase due to the strong demand for raw materials from those countries, and imports of manufactures of Peru from those countries increase as the Peruvian economy is growing and there is a strong demand for consumer goods, from a growing middle class and by the industry demand for capital goods and inputs. Also, Peru has signed Free Trade Agreements with several of them, as with China, Singapore, South Korea, Japan and Thailand. As a result, Asia in general is the region with which the share of external trade is higher, a 30.6% of the total, followed by North America with 23.2%, the European Union with 14.8%, the Andean countries with 13.1%, Mercosur with 7.3%, and the rest of the world 11.1%, according to data from 2012.¹¹

With China, the FTA went into effect in March 2010, with South Korea in August 2011, and with Japan in March 2012.

On the other hand Peru is negotiating one more commercial treaty in the Trans-Pacific Partnership Agreement, called the TPP, including several Asian countries such as Malaysia, Brunei, Australia, New Zealand, Vietnam, Japan, Singapore and Chile, U.S., Canada and Mexico. All these countries are also members of APEC.

Also Peru is expected to begin negotiations for an FTA with Indonesia soon.¹²

Free trade agreements allow many products from Peru to enter into those markets paying low or no tariffs.

¹¹ Memory 2012 Central Reserve Bank of Peru, page 68

¹² Statements by Deputy Minister of Trade of Indonesia, Bayu Krisnamurthi: "Somos optimistas respecto a un TLC entre Indonesia y Perú", "El Comercio" Daily September 12, 2013
<http://elcomercio.pe/economia/1630353/noticia-somos-optimistas-respecto-tlc-entre-indonesia-peru-video>

The issue is what to sell them. There is a need to prepare an exportable supply. Almost 95% of what is currently being sell to them are commodities. It is necessary to know their markets and what are the consumer demands. For example one of the sectors that have significantly increased its sales to other countries is the agro industry sector, with products such as asparagus, paprika, where Peru is the world's largest exporter. But Asian countries like Japan, Korea and China have strict phytosanitary requirements for the entry of such products. Peruvians goods are in the process of passing those tests in order to export these and other agricultures products.

The most important trading partners for Peru are China, Japan, South Korea, and Taiwan, in that order. See Table 4. The growth in sales to China has been spectacular. Peru increased its total exports from 1993 to 2012 from an amount of 3,344 million dollars to 45,846 million dollars (though in the last year the amount decreased slightly compared to 2011), an increase of nearly 14 times, but to China in the same period sales increased from 140 to 7,848 million dollars, an increase of 56 times, and to Korea increased from \$59 million to \$1,545 million, an increase of 26 times. To Korea exports went from \$59 million to \$1,545 million, an increase of 26 times.

**TABLE 4: PERU'S EXPORTS TO ASIAN MEMBERS OF APEC (IN MILLION OF DOLLARS)
(FOB VALUE)**

Country/Economy	1993	1997	2003	2006	2010	2011	2012
World Total	3,344.40	6,741.75	8,939.82	23,431.43	35,073.25	46,386.03	45,846.18
Australia	14.99	16.31	53.12	38.25	117.5	115.35	99.50
South Korea	59.36	91.50	176.34	545.27	894.9	1,696.09	1,545.35
China	140.84	490.06	676.96	2,267.27	5,425.9	6,972.64	7,848.97
Philippines	31.99*	47.96	11.06	44.89	123.41	109.75	55.23
Hong-Kong	28.60	68.82	30.31	42.14	78.5	93.24	96.54
Indonesia	32.62*	36.33	22.67	30.08	36.61	61.49	101.18
Japan	299.04	473.57	391.16	1,229.76	1,790.4	2,174.76	2,575.33
Malaysia	57.33*	59.77	5.51	7.17	8.43	6.75	27.68
New Zealand	1.50	-	3.72	7.59	13.5	18.63.	25.82
Russia	9.90	9.48	14.18	25.61	57.9	78.80	88.43
Singapore	1.68*	11.96*	16.15	4.59	6.66	7.94	21.46
Thailand	11.71*	36.23	26.71	65.43	98.10	264.76	234.06
Taiwan (Chinese Taipei)	118.78	159.11	147.28	415.03	293.0	365.28	261.10
Vietnam	1.62*	2.56	10.64	35.51	63.89	77.72	90.43

*Year1994

Source: Aduanas del Perú:

<http://www.aduanet.gob.pe/aduanas/informae/2012/generales/ExpolmpoPorContiZonaPais.html>
PROMPERUSTAT http://www.siicex.gob.pe/promperustat/frmRanking_x_Pais.aspx (Before the year 2000)

China, as said before, was the largest export market in 2012, in fifth place was Japan, in the ninth South Korea, and Taiwan was in 24. See Table 5.

TABLE 5: MAIN DESTINATION COUNTRIES OF PERUVIAN EXPORTS, 2012 (FOB VALUE, MILLION US\$)

1. China	7,848
2. USA	6,175
3. Switzerland	5,074
4. Canada	3,445
5. Japan	2,575
6. Chile	2,028
7. Germany	1,866
8. Spain	1,842
9. Korea	1,545
10. Brazil	1,402
Total exports	45,946

Source: Aduanas del Perú

China since 2011 became the largest export market of Peru. In 2012 around 7,692 million dollars was sold to China while to the U.S. was sold 6,032 million dollars. See Table 6

TABLE 6: MAJOR TRADING PARTNERS OF PERU IN THE LAST THREE YEARS, IN MILLIONS OF DOLLARS

COUNTRY	2010	2010	2011	2011	2012	2012
	Exports	Imports	Exports	Imports	Exports	Imports
1. China	5,436	5,140	6,963	6,325	7,692	7,795
2. U.S.A	6,087	5,811	5,903	7,350	6,032	7,921
3. Switzerland	3,845	118	5,937	150	5,062	154
4. Canada	3,329	539	4,232	583	3,358	588
5. Japan	1,790	1,336	2,174	1,314	2,575	1,499

Source: Aduanas del Perú:

http://www.aduanet.gob.pe/aduanas/informae/BalContiZonaPais_01122012.htm

To the rest of Asian countries we sell still little, however this is increasing. In 2012 around \$101 million was sold to Indonesia, to Philippines \$55 million (almost half of what was sold in the year 2011), to Thailand \$234 million, and \$90 million to Vietnam, among the most important markets¹³.

But to Asia mostly raw materials are sold. China is already the largest buyer of Peruvian fishmeal, iron, copper, lead, zinc. In Tables 7, 8 and 9 are the main products exported to China, Japan and Korea.

Exports are based on natural resources that Peru has, and follow what is defined as a country's comparative advantage. But it more value-added products should be exported. In this sense it is necessary to promote the industrialization of certain products, promote non-traditional exports, such as agro industry, and take advantage of trade agreements being signed with Asian countries to be able to participate in the production chains being formed among them. There is a very strong intraregional trade in parts and components in various industries in the region, where for example Thailand, Japan, Korea, manufacture parts and components of a product to be finally assembled in China.

TABLE 7: TOP 10 PRODUCTS EXPORTED TO CHINA, 2012

PRODUCT	Million of Dollars - FOB value
Total	7,848
Copper ores and concentrates	3,503
Fishmeal	886
Lead ore	853
Iron ore	852
Copper cathodes	684
Copper "Blister"	222
Silver ore	174
Zinc ore	144
Cuttle fish and squid	110
Zinc, not alloyed	97

*Ores and Fishmeal (9 products): 95% of total. Source: ADUANAS DEL PERU
file:///C:/Documents%20and%20Settings/pc%201/Escritorio/subPartidasPorPaisDestino.html*

TABLE 8: TOP 10 PRODUCTS EXPORTED TO JAPAN, 2012

PRODUCT	Million of Dollars - FOB
Total	2,575
Copper ores and concentrates	1,460
Liquefied Natural Gas	451
Fishmeal	163
Zinc ore	118
Lead ore	84
Gasoline	65
Copper cathodes	42
other gasolines	17
Fish oil	16
Asparagus	13

*9 main products: 94% of total. Source: ADUANAS DEL PERU:
file:///C:/Documents%20and%20Settings/pc%201/Escritorio/subPartidasPorPaisDestino.html*

¹³ Aduanas del Perú, Estadísticas de Comercio Exterior, (Peru Customs, Foreign Trade Statistics)
http://www.aduanet.gob.pe/aduanas/informae/BalContiZonaPais_01122010.htm

TABLE 9: TOP 10 PRODUCTS EXPORTED TO KOREA, 2012

PRODUCT	MILLION OF DOLARES FOB
Total	1,545
Lead ore and concentrates	485
Copper ores and concentrates	470
Zinc ore	213
Silver ore	156
Copper cathodes	42
Copper "Blister"	41
Coffee	30
Cuttle fish and squid	27
Pota	27
Fresh grapes	8

9 main products: 96% of total

Source: ADUANAS DEL PERU:

<file:///C:/Documents%20and%20Settings/pc%201/Escritorio/subPartidasPorPaisDestino.html>

It should also be necessary to learn from the experience of Asian countries in the sense that many of them went from being commodity exporters to become exporters of manufactures. The most recent case is of Malaysia, which 40 years ago was much like Peru because it exported mostly raw materials, like tin, rubber, oil, and now is a center of manufacturing production and exports of these goods constitute 90% of the total sales¹⁴.

Something that would hopefully help to sell more value-added products to Asians is the formation of the Alliance of the Pacific (Alianza del Pacífico), between Peru, Chile, Mexico and Colombia (the first three members of APEC). These 4 countries will try, through the establishment of joint trade offices, to present a joint export supply, as the best way to take advantage of the opportunities offered by the Asian market. Pacific Alliance has raised a great interest in many countries, and three in East Asia, China, Japan and Korea (apart from Australia and New Zealand), are observer members of this group.¹⁵

On the import side, the following table also shows that China is the largest source of imports from Asia. The growth has been spectacular. It went from \$90 million in 1993 to \$7,802 million by 2012, an increase of 86 times.

The importance of the Asian region as a source of imports increased in the past two decades. As seen in Table 10, in 1993 only 16% of our purchases were from the 8 major Asian countries of our trade (China, Korea, Japan, Taiwan, Thailand, Russia, Indonesia, Malaysia), in the year 2012 around 30% came from them.

¹⁴ See this on Carlos Aquino's Book: "Introducción a la economía Asiática"

¹⁵ See website of the Pacific Alliance (Alianza del Pacífico) :<http://alianzapacifico.net/paises/paises-observadores/>.

TABLE 10: IMPORTS OF PERU FROM MAJOR ASIAN COUNTRIES MEMBERS OF APEC (IN MILLION OF DOLLARS, CIF)

Country	1993	1997	2003	2006	2010	2011	2012
World Total	4,024.55	7,716.79	8,428.51	20,464.21	27,910.70	37,891.00	42,150.68
Australia	17.35	33.09	28.12	67.52	75.07	111.1	133.0
South Korea	99.42	230.25	277.72	522.34	1,044.25	1,497.2	1,647.6
China	90.43	195.92	646.54	2,474.22	5,115.3	6,364.7	7,802.9
Philippines			11.06	9.79	12.04	22.9	27.4
Hong Kong	12.29	17.04	15.19	16.59	22.80	15.8	20.5
Indonesia			40.00	59.42	120.96	221.1	245.1
Japan	303.62	417.99	367.40	790.39	1,336.96	1,314.4	1,499.9
Malaysia			57.77	118.73	160.44	207.0	206.9
New Zealand	45.95	-	16.20	22.40	56.47	68.1	119.0
Russia	15.28	21.92	56.36	136.35	183.42	513.0	334.2
Singapore			22.23	27.50	38.45	50.83	60.00
Thailand			32.10	86.55	372.28	443.7	452.1
Taiwan	60.16	112.05	133.58	258.40	327.80	442.1	461.7
Vietnam			4.69	19.73	52.50	102.4	113.1

Source: Aduanas del Peru

Peru mostly buys from Asian countries manufactured products. China now is the cheapest manufacturer in the world for most products. It is the second source of our imports, behind U.S. but this year 2013, China certainly will surpass it.

TABLE 11: TOP 10 PRODUCTS IMPORTED FROM CHINA, 2012

PRODUCT	Million of dollars CIF Value
Total	7,802
Mobile Phones	539
Data processing machine	427
Motorcycles	163
Vehicles	110
Telecommunications devices	92
Footwear	74
Steel foundry constructions	83
Photovoltaic cells	77
Photographic camera	73
Rolled steel sheets	68

Source: ADUANAS DEL PERU:

<http://www.aduanet.gob.pe/aduanas/informae/2012/importacion/principalesSubpartidasPaisOrigen.html>

It is interesting to note that imports from Korea have also increased dramatically in recent years surpassing those from Japan. For example last year more cars were imported from Korea than from Japan. This is mainly due to the price factor, the high appreciation of the Japanese currency, the yen, in the last years. But lately there has been a massive entry of cheap Chinese cars, so probably it is just a matter of time before Chinese cars surpass those from Korea too.

TABLE 12: TOP 10 PRODUCTS IMPORTED FROM KOREA, 2012

PRODUCTS	MILLION OF DOLARES CIF VALUE
Total	1,647
Vehicles greater than 1500 ccc	362
Tv devices	140
Vehicles of less than 1500 ccc	116
Transport vehicles	41
Vehicles of 1000 ccc	39
Sections of iron or steel	36
Machinery	36
Cargo Vehicles	33
Cement	31
Other Vehicles	30

Source: ADUANAS DEL PERU:

<http://www.aduanet.gob.pe/aduanas/informae/2012/importacion/principalesSubpartidasPaisOrigen.html>

TABLE 13: TOP 10 PRODUCTS IMPORTED FROM JAPAN, 2012

PRODUCT	MILLION OF DOLLARS CIF VALUE
Total	1,499
Vehicles greater than 1000 ccc but less than 1500 ccc	202
Vehicles greater than 1500 ccc but less than 3000 ccc	163
4x4 Vehicles	83
Transport vehicles	75
Cargo Vehicles	70
Tires	54
Bulldozers	49
Other cargo vehicles	44
Parts and accessories of machines for printing	40
Flat laminated iron or steel	38

Source: ADUANAS DEL PERU:

<http://www.aduanet.gob.pe/aduanas/informae/2012/importacion/principalesSubpartidasPaisOrigen.html>

From the rest of Asian countries we buy little but this is growing too. According to Aduanas del Peru (Peruvian Customs Office), in 2012 we bought from Indonesia \$245 million, from Malaysia \$206 million, from Thailand \$452 million and from Vietnam \$113 million. Imports from Indonesia and Vietnam have doubled from 2010 to 2012.

In general China was the second largest source of imports in 2012, in seventh place was Korea, in ninth Japan, and in the 18th position was Taiwan.

As indicated before the share of imports from the Asian region in total imports went from 16% to nearly 30% from 1993 to 2012. China is the most emblematic case because 20 years ago it did not appear between the largest trading partners, but now is the first.

On the other hand competition from Chinese products has led some industries in Peru into trouble. The textile and clothing industry are the mainly affected. Precisely last September 5 there was a great mobilization of the sector involved asking the government to take action to prevent the entry of

undervalued Chinese garments¹⁶. China is accused of dumping (this means to sell abroad at a lower price than what cost to produce or sell in the home market). In fact from the 12 anti-dumping measures imposed by Peru on foreign products today, 8 are against Chinese products, of which 5 are against textile products and garments, 2 for footwear, and 1 on stainless steel cutlery¹⁷. It is hoped that more Chinese products will be subject to anti-dumping measures as there is evidence of undervaluation, as even noted by the Minister of Production.¹⁸

It should be noted that although Peru has an FTA agreement with China, several products were excluded from the agreement, such as textiles and clothing.

One of the reasons that have made possible the large increase of Peruvian exports is foreign investment, which has gone to sectors such as mining, agribusiness, precisely the sectors that have increased more dynamically its sales abroad.

III. FOREIGN INVESTMENT

With the opening of the economy and the political and social stability that Peru began to achieve from 1990 onwards, a large amount of foreign investment entered the country. In 1993 the stock of foreign direct investment was only of \$3,500 million but at the end of 2012 it was of 22,674 million dollars.

GRAPH 7: STOCK OF FOREIGN DIRECT INVESTMENT IN PERU AS CAPITAL CONTRIBUTION



Source: Proinversion:

http://www.proinversion.gob.pe/RepositorioAPS/0/0/JER/PRESENTACION_PAIS/2013/PPT_Por%20que%20invertir%20en%20Peru_2013_mayo.pdf

¹⁶ See "Diario Gestión" September 6, 2013, page 14: "Subvaluación: 25 mil gamarrinos protestan por prendas chinas"

¹⁷ According to the Quarterly Bulletin of the Committee on Antidumping and Subsidies INDECOPI March 2013, number 45, pages 13 and 14

http://www.indecopi.gob.pe/repositorioaps/0/5/bol/boletin_dumping_y_subsidios/2013/Mar2013CFD.pdf

¹⁸ "Gladys Triveño: There are signs of undervaluation of Chinese apparel", Diario Gestión, September 4 2013, page 1

The investment from Asia is still lower compared to investment from countries in other regions. See Table 14.

According to the latest statistics of Proinversión, the government agency that oversees foreign investment registration, if we calculate it by the country of origin of the parent company, as shown in Table 14, China is the largest investor of Asia with \$796 million, followed by Japan with 436 million dollars. China appears at number 10 place and Japan at 14 place.

TABLE 14: MAJOR INVESTORS IN PERU, 2012, CONTRIBUTION TO THE CAPITAL STOCK BY COUNTRY OF ORIGIN, (MILLION US\$)

COUNTRY	2012	%	ACCUMULATED PERCENTAGE
Spain	4,818.57	21.25%	21.25%
USA	3,012.47	13.29%	34.54%
South Africa	1,740.17	7.67%	42.21%
Chile	1,643.90	7.25%	49.46%
Brazil	1,334.91	5.89%	55.35%
UK 1/	1,314.93	5.80%	61.15%
Canada	1,276.23	5.63%	66.78%
Switzerland	934.65	4.12%	70.90%
Mexico	897.90	3.96%	74.86%
China	796.48	3.51%	78.37%
Italy	733.51	3.23%	81.61%
Colombia	569.32	2.51%	84.12%
Holland 2/	486.39	2.15%	86.26%
Japan	436.79	1.93%	88.19%
Norway	402.82	1.78%	89.97%
Others	2,275.31	10.03%	100.00%
TOTAL	22,674.35	100.00%	

Source: Proinversión

**Stock updated until December 2012.*

1 / Includes British Dependencies and British Overseas Territories.

2 / Includes Overseas Territories

<http://www.proinversion.gob.pe/0/0/modulos/JER/PlantillaStandardsinHijos.aspx?ARE=0&PFL=0&JER=1537>

But actually investment from China is much higher. What happens is that foreign investment registered in Proinversión just includes new investment and no reinvestment. Also many other Chinese companies have invested or plan to invest in Peru. For example, China National Petroleum Corporation (CNPC) operates in partnership with Pluspetrol some lots in the jungle and has signed agreements with Petroperu to invest in the petrochemical industry. On November 13 2013 it was announced that CNPC through its listed company PetroChina is buying Petrobras Peru unit for \$2.6 billion¹⁹. The Chinese firm bought all the shares of Petrobras Energia Peru S.A., which has three oil and gas fields in Peru. Also companies like Zijing Mining Group have invested in the Rio Blanco copper project in Piura, and Chinalco-Aluminium Corp. of China bought for \$703 million the majority stake in Peru Copper, which has the Toromocho copper project (in Junin). Nanjinzha Chinese miner also acquired the iron mine Pampa de Pongo in Arequipa, for \$200 million from Canadian explorer Cardero Resources Corp.

¹⁹ Reuters: "PetroChina buying Petrobras Peru unit for \$2.6 billion"

<http://uk.reuters.com/article/2013/11/13/us-petrochina-petrobras-acquisition-idUKBRE9ACOCU20131113>

For example in the following table we see that only in the first half of 2013 the Cia Minera Chinalco has invested \$436 million, and in 2012 in the same period invested \$440 million.

TABLE 15 : MINING COMPANIES INVESTMENT IN PERU (JANUARY – JULY PERIOD)

RANKING	TITULAR MINERO	2012	2013	Var. %
1°	XSTRATA LAS BAMBAS S.A.	398,304,284	861,039,769	116.2%
2°	MINERA CHINALCO PERÚ S.A.	440,431,775	436,210,376	-1.0%
3°	SOCIEDAD MINERA CERRO VERDE S.A.A.	251,964,334	410,301,948	62.8%
4°	XSTRATA TINTAYA S.A.	202,706,306	290,565,421	43.3%
5°	COMPAÑIA MINERA ANTAMINA S.A.	321,733,072	233,162,299	-27.5%
6°	MINERA YANACOCHA S.R.L.	562,628,172	189,095,981	-66.4%
7°	HUDBAY PERU S.A.C.	1,664,830	159,284,452	+
8°	LA ARENA S.A.	127,273,860	105,638,366	-17.0%
9°	MINERA BARRICK MISQUICHILCA S.A.	69,613,977	101,816,724	46.3%
10°	COMPAÑIA DE MINAS BUENAVENTURA S.A.A.	103,312,378	91,495,527	-11.4%
11°	ANGLO AMERICAN QUELLAVECO S.A.	0	91,091,834	+
12°	SOUTHERN PERU COPPER CORPORATION SUCURSAL DEL PERU	-10,239,868	84,949,496	+
13°	SOCIEDAD MINERA EL BROCAL S.A.A.	24,854,872	82,850,508	233.3%
14°	CONSORCIO MINERO HORIZONTE S.A.	65,431,254	79,125,664	20.9%
15°	EMPRESA ADMINISTRADORA CERRO S.A.C.	22,053,255	69,379,330	214.6%
16°	RIO TINTO MINERA PERU LIMITADA SAC	43,946	63,300,000	+
17°	EMPRESA MINERA LOS QUENUALES S.A.	52,664,204	62,101,819	17.9%
18°	VOLCAN COMPAÑIA MINERA S.A.A.	47,212,804	44,832,571	-5.0%
19°	COMPAÑIA MINERA MILPO S.A.A.	94,108,839	43,657,011	-53.6%
20°	COMPAÑIA MINERA ALPAMARCA S.A.C.	6,702,159	39,910,922	495.5%

Source: "Gestión" Newspaper page 4, September 13, 2013.

According to figures from the Ministry of Energy and Mines of Peru, in August 2013, there was an estimated portfolio of mining projects of \$57,403 million, of which \$13,819 million, or 24% of the total, correspond to China, coming in the first place. See Chart 8.

GRAPH 8: ESTIMATED PORTFOLIO OF MINING PROJECTS BY MAIN INVESTOR



Source: Ministerio de Energía y Minas: "Cartera estimada de proyectos mineros, August 2013", page 3

Shougang Corporation, has the only iron mine in the country, and another Chinese company, Nanjinzhao (along with the Chinese also Zibo Hongda company) will invest \$3,280 million in another iron mine, Pampa de Pongo in Arequipa. Chinalco, with Toromocho project, in which will invest \$3,500 million, with the start of operations in 2014 will increase copper production in the country by 20 %. Besides this, an enlargement of this mine by \$1,320 million is planned.

Furthermore, the company resulting from the merger of Glencore and Xstrata agreed to sell the copper project Las Bambas located in Apurimac, and it appears that a Chinese company would bought it. This project requires an investment of \$5,200 million, and when the mine come into production it could increase by more than a third the amount of copper produced in Peru²⁰. Two other Chinese companies Minmetals and Jiangxi Copper have the Galeno project, which also produce copper with a projected investment of \$2,500 million.

In summary, China will continue to control the iron production in Peru, and it is likely their companies could control an important part of the country's copper production in the coming years. With the buying of Petrobras by PetroChina, the China National Petroleum Company is estimated could be the largest producer of oil in Peru²¹. Also a Chinese company, China Fishery Group Limited (CFGL), has bought the fishmeal

²⁰ See "Glencore Xstrata alista nuevo proyecto de cobre en el Cuzco", Diario Gestión, page 6, September 20, 2013.

²¹ According to an expert in the theme PetroChina could control 26% of the total oil production of Peru. See SEMANAeconomica.com "Luego de la compra de Petrobras PetroChina concentraría el 26% de la producción petrolera en el Perú"

<http://semanaeconomica.com/tema/luego-de-la-compra-de-petrobras-petrochina-concentraria-el-26-de-la-produccion-petrolera-en-el-peru/>

company Copeinca²², and seeks to control a larger part of the production of fishmeal, of which is the largest buyer of Peruvian production.

It is interesting to note that Chinese companies began operations abroad (outside Asia) in the 1990s, and Peru was the first country to receive such investment. In 1992 Shougang bought the Marcona mining operation from Hierro Peru (a Peruvian state company) and in 1993 CNPC began its oil operation in the north of Peru with its company SAPET.

Investment from Asia is important because they have the capital and technology to develop resources that Peru has, as the minerals. This investment is generally low but could increase more. Peru also needs to develop its physical infrastructure such as ports, airports, which is becoming insufficient given the rapid growth of the country, and here several Asian countries have expertise in these areas. Precisely this is necessary for Peru to become, as planned, "the door of the Pacific" for Asians who want to come to explore market opportunities in Latin America, and the "the exit door to the Pacific" for Latin Americans, especially of Brazil and Bolivia, who want to go to the huge Asian market.

Investment from Asia has been mainly concentrated in mining, oil exploration as well, with for example Korean companies such as Korea National Oil Company (KNOC), or SK Corporation that participates in the Camisea Consortium exploiting and exporting gas. For their part, Japanese companies hold interests in several mining projects, in which they have invested but do not participate in the management but rather buy the production. In the manufacturing sector there are few Asian companies, the most important perhaps the Japanese company Ajinomoto, which was established in the late 1960s in Peru, and also the Japanese motorcycle company Honda, which assembles its products in the jungle region. Besides, there is investment in companies that import many products of Asian countries that are sold in Peru, especially automobiles and electronic appliances.²³

Now, investment in mining has caused some conflicts with some communities where it operates and there are some Chinese companies that have been involved, and one of them has its operation paralyzed at the moment, the Project Rio Blanco, of the Chinese company Zijin Mining Group, which plans to invest \$1,500 million in this copper mine, in the department of Piura. Also another Chinese company, Shougang, constantly has problems with its workers' union (and also has had with the town where it is located) and just last September 16 the labor union concluded a 30-day strike over wage demands²⁴.

On the other hand, it is interesting to note that some Peruvian companies are investing in Asia. For example, a bank, Interbank, is already in China with an office in Shanghai (since 2007), and Ajegroup, which produces soft drinks, juices, among other products, has operations in Thailand, Indonesia, Vietnam and India. This business group, which began operations less than 40 years ago, is the most multinational Peruvian business group²⁵.

²² See Diario el Comercio, August 29, 2013 "Grupo Dyer completó venta de sus acciones en Copeinca por US\$223,2 mlls -La empresa [China Fishery Group](http://elcomercio.pe/economia/1624356/noticia-grupo-dyer-completo-venta-sus-acciones-copeinca-us2232-mlls) ahora posee el 99,1% de los papeles de la pesquera fundada por la familia Dyer-" <http://elcomercio.pe/economia/1624356/noticia-grupo-dyer-completo-venta-sus-acciones-copeinca-us2232-mlls>

²³ See : Carlos Aquino: "La importancia de las empresa asiáticas en el Perú", en el Blog personal, Asia Pacífico: <http://asiapacifico-carlos.blogspot.com/2013/04/la-importancia-de-las-empresas.html>

²⁴ Every year since its establishment in 1992, the labor union has struck against this Chinese company, even several times a year. See "Ica: Los obreros de Shougang levantan huelga", Diario El Comercio, September 17, 2013. page A12

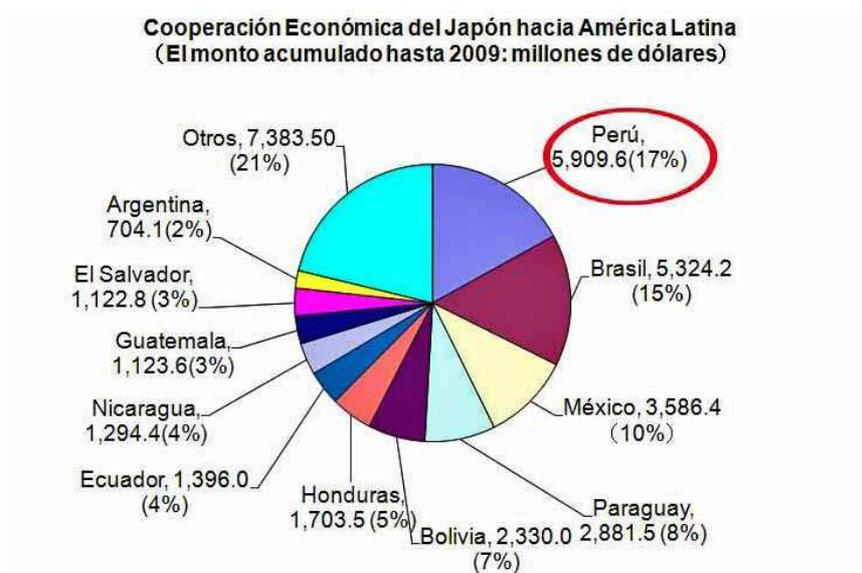
²⁵ View company website <http://www.ajegroup.com/paises.php>

IV. ECONOMIC COOPERATION

In the area of economic cooperation, Peru is the country that receives more financial support in Latin America from Japan and Korea.

For example, according to statistics from the Japanese Embassy in Peru, our country is the first recipient of Japanese aid in Latin America. Thus, the accumulated amount that Peru has received up to 2009 is \$5,909.6 million, 17% of total Japanese aid to the region. See Graph 9.

GRAPH 9: JAPANESE ECONOMIC COOPERATION IN LATIN AMERICA



Source: http://www.pe.emb-japan.g.o.jp/esp/cooperacion_economica.htm

As seen in the table below Peru received 23.5% of the total budget of the International Cooperation Agency of Korea, KOICA, in 2008 for Latin America (for a total of 32 million).

GRAPHIC 10: KOREAN COOPERATION IN LATIN AMERICA: TOP 5 LATIN AMERICAN PARTNER COUNTRIES

RANK	COUNTRY	AMOUNT	PERCENTAGE (%)	
			OF KOICA'S TOTAL BUDGET	OF KOICA'S BUDGET FOR THE REGION
1	Peru	6.7	2.4	23.5
2	Paraguay	4.088	1.5	14.4
3	Guatemala	3.926	1.4	13.8
4	El Salvador	3.847	1.4	13.5
5	Ecuador	3.485	1.2	12.2
Total		22.049	7.9	77.4

Source: KOICA: English, Countries, Latin America: <http://www.koica.go.kr/>

Recently also China economic cooperation is increasing, especially since it became a member of the Inter-American Development Bank, IDB. Also the China Development Bank gave a credit of up to \$50 million to COFIDE, a government financial company, to finance projects in the transport, energy, environment, etc. sectors, and with the purpose of providing assistance in promoting trade and investment with China.

An interesting aspect of the trade agreement signed with Japan, called Economic Partnership Agreement (EPA), is that it has a component of economic and technical cooperation that could be exploited. This is especially necessary because in order to export to Japan higher value-added products it requires knowledge of the Japanese market, passing their demanding exams, especially in the area of phytosanitary measures, to sell agricultural products. It requires for example that the National Agrarian Health System, SENASA, be strengthened, and this can be done as part of that agreement.

Also APEC, that seek to have an area of free trade and investment for its 21 member economies in 2020, contemplates the issue of economic and technical cooperation among them.

This ranges from the strengthening of human resources and the training of the workforce, to the strengthening of the Small and Medium Enterprises, SMEs, measures needed to produce goods with higher value added to export to these countries.

In other aspect, since the late 1980s immigration to Japan began to increase considerably. As seen in the table below, at the end of 2009 there were 57,464 Peruvians there. This is interesting. As mentioned earlier, Japanese immigration to Peru began in 1899, and just 90 years later, in 1989, began the immigration of Peruvians to Japan, and the overwhelming majority of them are descendents of those Japanese who came to Peru. The economic crisis in Peru and the labor shortage in Japan made Peruvians of Japanese descendents to go to that country.²⁶

Table 16: Peruvians in Japan

EXTRANJEROS EN JAPON 2010				
	PAIS	2009	2008	%
1	CHINA	680.518	655.377	+3,8
2	COREA	578.945	589.239	-1,8
3	BRASIL	267.456	312.582	-16,8
4	FILIPINAS	211.716	210.617	+0,5
5	PERU	57.464	59.723	-3,9
6	OTROS	390.022	389.583	+0,1
	TOTAL	2.186.121	2.217.121	-1,4

FUENTE: Oficina de Inmigraciones de Japón © 2010 NOTICIAS NIPPON

Source: <http://noticiasnippon.com/2010/07/07/disminuye-el-numero-de-extranjeros-residentes-en-el-japon/>

The issue of Asian immigration to Peru is interesting. The descendents of the Chinese who came to Peru since 1849 and others who came especially from the year 1990 onwards has made Peru to have the largest Chinese community in Latin America, and this is estimated to be between 5% and 10% of the total Peruvian

²⁶ View Carlos Aquino: "Migración de peruanos a Japón", in "Pensamiento Crítico", Journal of the Institute of Economic Research, San Marcos, No.13, June 2010, pp.. 7 to 21:
http://economia.unmsm.edu.pe/Organizacion/IIEc/Archivos/RevistasIIE/PC_13/PC13_CAP01.pdf

population.²⁷ The descendents of the Japanese in Peru are the second largest colony of them in Latin America after Brazil. They are said that can be the bridge, the link for more business with these two countries. In this way the group of Peruvians in Japan could also fulfill this role.

One interesting thing that must be mentioned is that in recent years, as the interest of Peru in Chinese economic growth increases and the entry of products from that country and others in the Asian region also increase, the interest in their culture and society is also increasing. This has been understood by countries like China and Korea, which have been increasing efforts to teach their language and culture in Peru. China has established 4 Confucius Institutes in four Peruvian universities, and Korea also sends language teachers and also promotes its music and its dramas on television. This is really necessary because very little is known in Peru about the reality of the Asian countries.

Related to the above, lately the Peruvian government is putting more emphasis on sending more young people to study abroad through scholarships. For example, CONCYTEC, a public institution that supports the development of science and technology, has implemented scholarships to China and is already sending to that country the first students²⁸. The governments of Japan, Korea, and Taiwan also offer scholarships. There should be more scholarships to train specialists in the region and gain a better understanding of the Asian countries.

Given the importance of China, researchers are beginning to emerge about this country²⁹, but we do not know still about the other countries so much, so it's a task ahead of better understanding this dynamic region that will be increasingly more important for Peru.

V. CONCLUSIONS AND POLICY RECOMMENDATIONS

Peru has greatly increased its relations with the Asian region in the last two decades.

Trade has especially increased, with more exports to the region that need the raw materials that Peru has. Asia is the region that also provides many cheap manufactured products. China has already become the largest trading partner of Peru and this should continue. But this commercial relationship is asymmetric because Peru sells mostly raw materials and purchase from them manufactured goods. Foreign investment also has increased, especially from China in the mining sector. Furthermore, Peru needs capital, technology and business knowledge of them, besides of its huge market.

Given the country's productive structure, the large investments in the mining sector and the needs of Asian countries, especially China, certainly in the short and medium term Peru will continue to export mainly raw materials to Asian countries.

But for a more symmetrical relationship we also must learn from them, as many went from exporting mostly raw materials to manufactured goods.

The above means to have a policy to gives more value added to what is exported and an investment policy to improve the physical and human capital. Investment in science and technology to improve the level of

²⁷ See Garcia-Corrochano Luis & Tang Ruben: "Las relaciones entre el Perú y la China", Institute of International Studies, Confucius Institute, PUCP, 2011, Lima

²⁸ See "CONCURSO NACIONAL DE BECAS DE ESTUDIOS DE DOCTORADO, MAESTRIA, PERFECCIONAMIENTO DE ESPECIALIDADES O APRENDIZAJE DEL IDIOMA CHINO EN UNIVERSIDADES DE LA REPÚBLICA POPULAR CHINA 2013 - 2014", <http://portal.concytec.gob.pe/index.php/FONDECYT-becas-china-2013.html>

²⁹ See Carlos Aquino: "Acerca de los estudios sobre China en el Perú" http://www.academia.edu/4266298/ACERCA_DE_LOS_ESTUDIOS SOBRE CHINA EN EL PERU

training, the level of education of the labor force is necessary precisely to transform raw materials into industrial products. In this way we can also make better use of the various free trade agreements that Peru has signed with them and will continue signing.

Finally, although Peru has the largest Chinese community in Latin America, and the second largest of Nikkei in the region, not much is known about the Asian region despite of the increase in the importance of this. That is why it is necessary to study them and to have experts on the region.

In summary, the following policies are proposed to make more fruitful Peru relationship with Asia

1. Peru must make better use of the fact that is a member of APEC along with Asian countries and use the mechanisms of economic and technical cooperation present in this forum. The country needs to apply the Asian experience in the development of human resources, the development of small and medium enterprises, among others. The Economic Partnership Agreement with Japan also provides this mechanism and we should take advantage of this opportunity.
2. In the same way, the several FTAs signed with China, Korea, Japan, Thailand and Singapore offer entry to their markets but if we do not know them, we cannot take advantage of this opportunity.
3. Peru is, also along with Chile, Mexico and Colombia (the first two are members of APEC as Peru), in the Pacific Alliance and should use this in order to open joint offices to promote their countries and their exportable goods in the Asian markets. The joint offer of these 4 countries is also necessary to attend the huge demand in the Asian region.
4. Asian investment, especially from China, will continue to be concentrated in the mining sector and the country will continue to export mainly these products to Asia. The transformation of raw materials into more value-added products should be encouraged. Peru exports a lot to the Asian region, but as these are mostly minerals, natural gas, and fish meal, indeed we do not make an effort to sell them. In fact, Asian came to buy from us, and increasingly what they buy is produced by Asian companies in Peru (as in the case of China in the mining and also fishmeal and oil sector).
5. The infrastructure in the transport and communications sectors needs to be expanded and improved, to be able to export more and to attract investment in the industrial sector. Peru should be able to participate in the production chains present in Asia, in the trade of parts and components in various industries in that region. For this we also need a qualified labor force to work in those industries.
6. The promotion of Peru exportable goods with the opening of commercial offices with experts in the field (with experts in agribusiness sector for example, as Chile has done for example in several Asian countries) should be made with more effort. Efforts should also be made to open more embassies in Asian countries.
7. There is a need to learn more about the Asian region so the study of this should be promoted and we need to send students with scholarships offered by some Asian countries and by the Peruvian government.

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