



**Exploring Peru's Major Foreign Trading Activities: A
Comprehensive Study of Economic Development and Trade
Relations**

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Peru, a South American nation, has experienced significant economic development in the recent decades, primarily driven by its robust foreign trading activities. This comprehensive study aims to get into Peru's economic development trajectory and analyze its trade relations with its major international partners. By examining the country's trade policies, key export sectors, major imports, and trade agreements, I am looking forward to provide a detailed overview of Peru's foreign trading activities and their impact on its overall economic growth.

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Chapter 1: Introduction

Peru, a nation near the westernmost point of South America, is distinguished by its varied landscapes and rich historical past. Peru's geographical diversity, from the Andes to the Amazon rainforest, is reflected in its economic development. Peru has changed over the past few decades from being a country that struggled with economic instability to one that now stands as a promising success story in the Latin American continent. This extensive study aims to present a precise analysis of Peru's foreign trade activities, its adventure of economic development, and the complex web of trade connections that have profoundly shaped its current economic landscape.

Motivation

I am from Peru, and I am curious to understand how Peru's economy has been growing and how its trade relationships have been changing over time. I have seen big changes happening in my home country, and I want to learn more about why they are happening.

Peru, a country next to the Pacific Ocean, is famous for its natural resources, diverse culture, and hard-working people. Despite these advantages, Peru had many economic problems in the 1900s. Nevertheless, between the end of the 1900s and the start of the 2000s, Peru's economy improved a lot and became a hopeful example in South America.

This change happened because of a mix of historical events, money policies, and international economic pressures, not on its own. It's important for people like policymakers, businesspeople, and researchers, not only in Peru but also anyone interested in global trade and economic development, to understand how this transition happened.

Objectives

This research is all about Peru's economy. We want to understand how it got to where it is today. First, we will look at Peru's history and see what important events shaped its economy. Then, we will check out how things are going right now by looking at some big economic numbers.

One of the most important objectives is to understand why Peru's economy has been growing. To find out, we will study things like how the country works on the inside, what other countries want that Peru exports, and what the government does.

We are also very interested in how Peru does business with other countries. We will look at the policies/regulations Peru follows and the special deals it makes with countries like the United States, China, and others in Europe/Latin America. These agreements can affect how Peru's economy works.

Of course, we cannot forget about the things Peru buys from other countries. We will take a close look of what Peru needs to import: like machines, energy, and chemicals. This is important because it tells us how much Peru depends on other countries.

Finally, we will think about the future. What could happen next for Peru's economy, and what should the government do to make sure it keeps growing and benefits everyone. This research will help us understand Peru's economic story from the past to today and beyond.

Chapter 2: Trade Literature Review

This section explains the several studies and publications that shed light on the dynamics of trade in Peru and how it affects the country's economic growth. We take inspiration from many academic publications covering several key points of commerce in developing nations, with a particular emphasis on Peru.

Our knowledge of the relationship between exports, economic growth, and foreign direct investment has been enhanced by Mahmoodi and Mahmoodi (2016). They provide data from emerging nations, highlighting the role that trade plays in promoting economic growth.

Okenna and Adesanya (2020) investigate the effects of global trade on developing economies in order to offer a more comprehensive viewpoint. Although they do not focus uniquely in Peru, their perspectives on the difficulties and possibilities faced by these nations are important to our research.

Bebbington and Bury (2009) examine institutional issues in the mining industry in Peru, which is a vital export for the country. Their research details the sustainability in the mining industry and its consequences for the country's economy.

Michaely focuses particularly on Peru's trade policies, giving special attention to unresolved difficulties. This publication offers a sophisticated perspective of the nation's policy environment.

Peru's economic success story is presented in detail by Werner and Santos (2015). Through an examination of the causes of Peru's development, this research provides remarkable information on the larger economic environment.

Peru is a major player in the Pacific Alliance, a regional project whose economic effects on trade and investment are assessed by Durán and Cracau (2016). This gives some context about Peru's trading relations with its neighbors.

In their 2015 study, Denisse, Ana, Fernandes, and Farole investigate how imports affect Peruvian exports. Our knowledge of how the dynamics of international trade affect the nation's export industry is aided by this work.

The important connection between Peru's economic and infrastructural development is examined by Urrunaga and Aparicio. Their conclusions emphasize how crucial infrastructure is to trade.

A curious perspective about the innovation process in developing nations is presented by Heredia Pérez, concentrating on the manufacturing industries of Chile and Peru. Understanding the role of innovation in trade and economic growth easier by this work.

Peru's agriculture industry is an essential part of the country's economy, and Velazco and Pinilla provide insights into agricultural policies and development methods. Their research contributes to our comprehension of trade in this industry.

These studies, which present a variety of perspectives on Peru's trade environment, serve as a base for our investigation. In the parts that follow, we will delve deeper into their discoveries and contributions to create a thorough paper about Peru's trade dynamics and how they affect the country's economic growth.

Chapter 3: Economic development of Peru

In this chapter, we delve into the story of how Peru's economy has changed over the years. We will look back in history, examine some important numbers that tell us about the country's macro economy, and understand the factors that have led to its growth.

Historical Overview

Powerful Incas were among the ancestors of Peru's fascinating history, which goes further back to prehistoric civilizations, and later colonized by the Spanish. Peru gained independence in the year 1821, and as many other ex-Spanish colonies, it came with a significant political restructuring and problems with its neighboring countries: being the War of the Pacific (1879-1885) one of the saddest episodes of the Peruvian history. The Peruvian-Bolivian coalition lost against Chile and ceded its southernmost region "Arica" to the winner. This would mark a setback in Peru's economy, since it lost its territory to exploit the "Nitrate", a valuable resource in that time.

Later on, would come the 20th century, which had a prosperous beginning. In the early years of this century, the Peruvian economy was primarily rural and heavily dependent on agriculture and. Unfortunately, this prosperous industries would only benefit the owners of the plantations/mines and further increase the wealth gap between rich and poor, where the first were mainly European-descendants and the second, indigenous descendant.

A pivotal moment came when military rule took control in the middle of the 20th century (1968–1975). Of course, this socialist regime had some positive social effects, notably raising the standard of living for the working class, but it also appeared to have negative effects on the country's economy. The country saw the negative effects of its partially successful attempt of a closed economy during the dictatorship era, and production declined because of poorly managed enterprises, mines, and plantations that were turned from privately to publicly own.

The following decades would not indicate that conditions significantly improved, even though the dictatorship was overthrown and democracy was restored. Peru experienced another significant turning point when its inflation rate reached 7650%, the highest in its history. Furthermore, the persistent and intense social unrest gave rise to terrorist movements during the decade of the 80s, which frequently obstructed trade routes within

the nation and provoked a sense of fear in the population, compelling a large number of them to leave the nation.

The Peruvian people would finally witness the economic miracle they had been waiting for so long in the 1990s. During his presidency, Alberto Fujimori made substantial constitutional amendments that had a huge effect on the country's economy. His economic reforms included enforcing strict fiscal discipline, promoting foreign investment, liberalizing trade and deregulating important industries. These adjustments made Peru more accessible to global markets, promoting trade ties and attracting in foreign investment. More economic growth, lower inflation, higher quality of life, and a more stable currency were the results. The next democratically elected presidents adopted a similar style of governance, and despite the fact that Peruvians are used to political unpredictability and corruption, the nation is still prosperous.

Macro-Economic Indicators

We examine a number of macroeconomic variables to determine the state of the Peruvian economy in the course of the last years. We take into account the GDP, which represents the entire economic output; the employment rates, which is important for determining the well-being of the population; and inflation rates, which tracks price increases over time and affects the citizens' purchasing power.

Figure 1 – Inflation Rate over recent the years

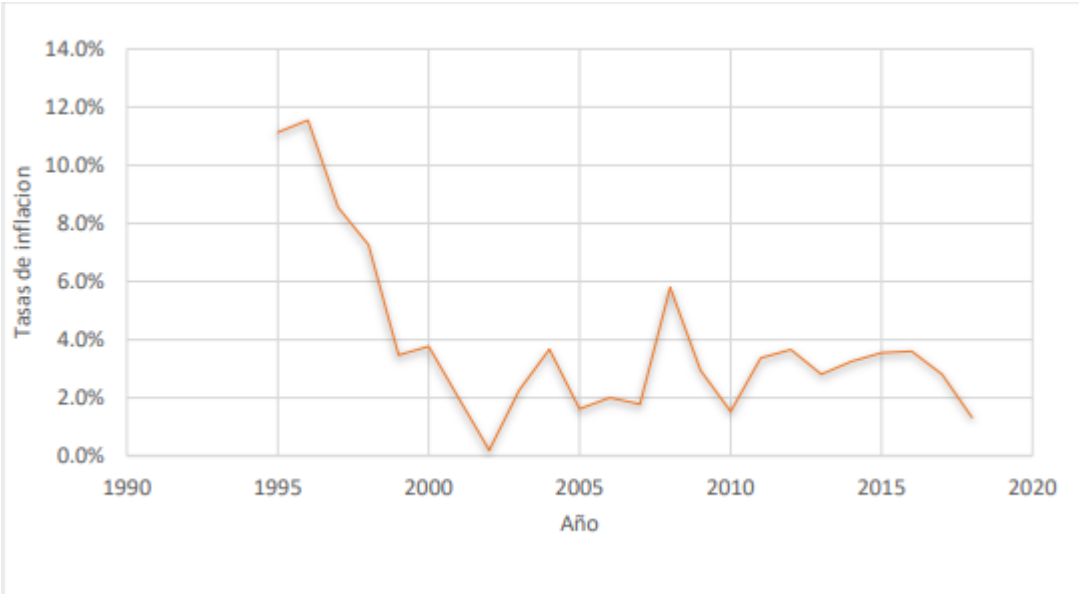


Figure 2 - Unemployment rate over the recent years.

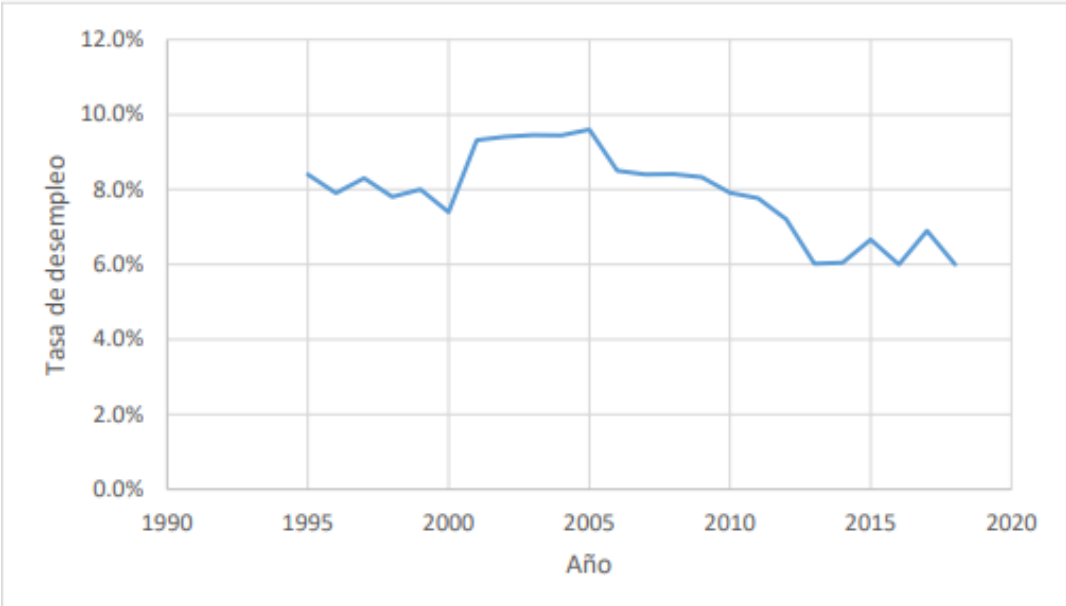
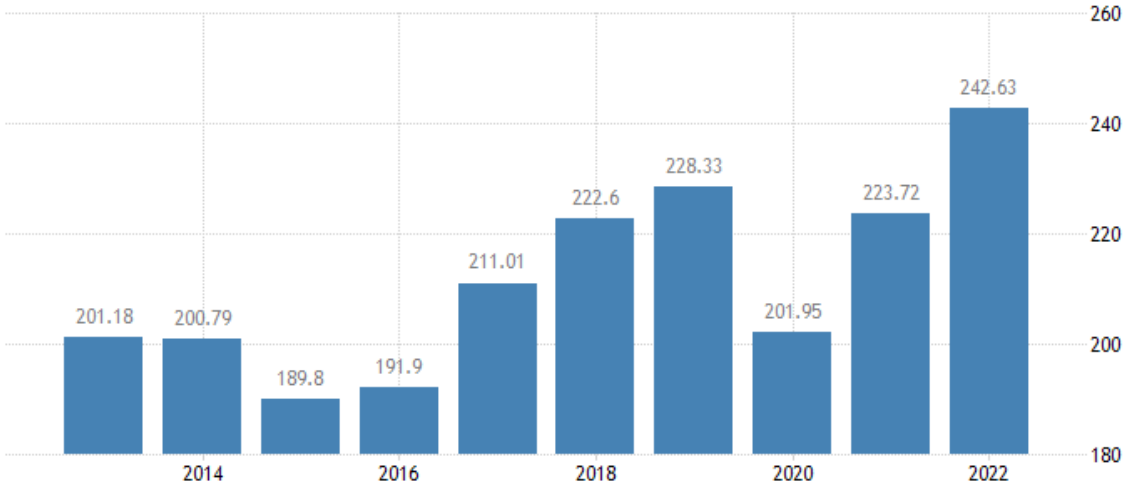


Figure 3 – Peruvian GDP over the last years



(In millions of dollars)

Factors Contributing to Economic Growth

We examine the role of international trade in order to understand the reasons of Peru's economic turnaround. In their book "Global Trade," Frankel and Romer (2017) did a comprehensive analysis to determine if increasing trade with other nations contributes to economic growth.

Their research showed a strong link between economic development and trade openness. They maintained that countries with active international trade typically see faster rates of economic growth. For Peru, which has gradually embraced international trade in recent years, this relationship is valid. Frankel and Romer highlighted that trade promotes innovation and technological advancement in addition to economic growth.

Chapter 4: Peru's Trade Policy

Trade liberalization initiatives

A key component of Peru's recent economic strategy has been trade liberalization. Peru started down the path of trade liberalization, lowering trade barriers and promoting foreign trade, according to Baldarrago and Salinas (2017). In order to implement this strategy, a sum of 22 free trade agreements (FTAs) were signed with 56 nations all over the world. By facilitating the flow of goods and services, these free trade agreements have increased Peru's exports and opened up new markets.

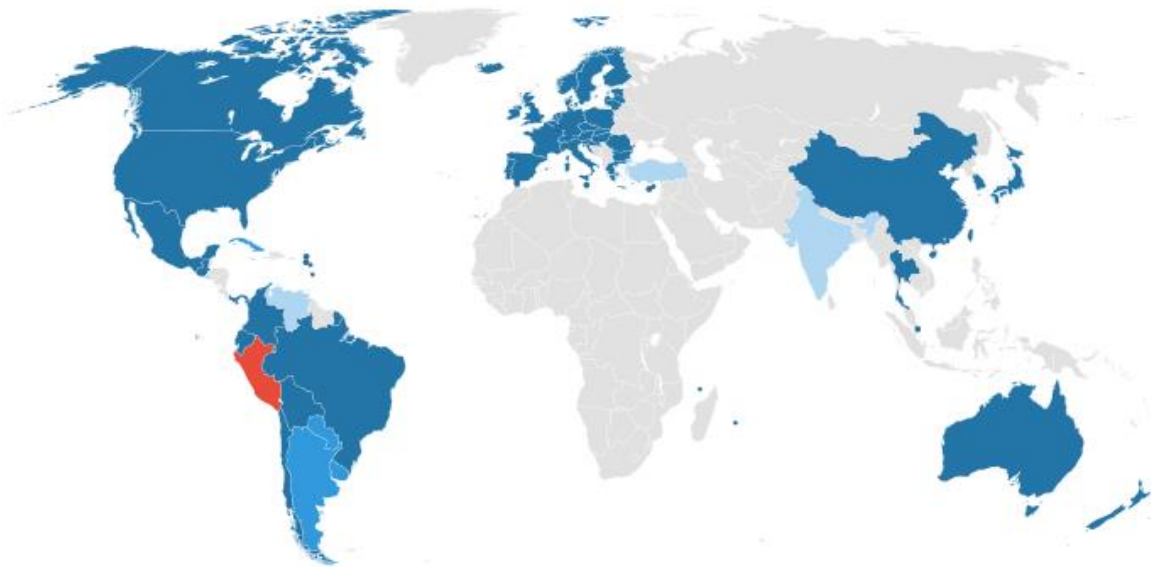
One of the most important FTAs of Peru is, undoubtedly, the United States-Peru Trade Promotion Agreement (2007), which came into effect in the 2009. It facilitated trade between the two countries by drastically lowering or eliminating tariffs on a variety of goods. The agreement also covered labor and environmental standards, intellectual property rights, and non-tariff barriers. Peruvian export goods were enhanced by this free trade agreement, especially in industries like manufacturing, textiles, and agriculture.

In addition, trade relations with one of the biggest economies in the world were improved by the Peru-China Free Trade Agreement (2009). Peru's exports of minerals, agricultural products, and fish to China increased significantly as a result. Chinese investments in Peru were also encouraged by the agreement, especially in the mining and infrastructure industries.

Another significant FTA for Peruvian exports is the free trade agreement with the European Union (2013). It gives Peruvian goods preferential access to the European market, facilitating their competitiveness. The agreement covers a wide range of products and services, including textiles, manufacturing, and agricultural items like asparagus, grapes and blueberries.

Finally, regarding the Latin-American context, along with Chile, Colombia, and Mexico, Peru is a part of the Pacific Alliance, one of the most promising regional alliances. This alliance has played a significant role in improving economic cooperation and improving trade integration among its member nations. It strains to lower trade barriers within the alliance and promotes investments across borders. Argentina and Brazil are two other significant regional trading partners with whom Peru as well has free trade agreements

Figure 4 – Countries with whom Peru has FTAs.



Red = Peru.

Blue = Countries with whom Peru has FTA.

Light blue = Countries with whom Peru has an Economic Cooperation Agreement.

Special Economic Zones (SEZs)

A SEZ is a region with more liberal economic regulations than the ones of the home country. In Peru, a country abundant with natural resources, those are important for promoting foreign investment, boosting export and encouraging economic expansion. Currently, Peru has four Special Economic Zones.

Located in southern Peru in the Tacna region, the Zofratacna-Tacna Special Economic Zone serves as an important hub for import and export activities. It facilitates the cross-border trade and it is strategically placed for commerce with neighboring countries, especially Chile. Businesses operating within this zone enjoy tax cuts and customs benefits, making it an attractive choice for foreign trade and investment.

Situated in the Moquegua region in southern Peru, the Ilo-Moquegua Special Economic Zone specializes in mining and metallurgical activities. It holds a strategic position for the export of minerals and related products by being near the Port of Ilo, ensuring that valuable mineral resources reach international markets.

Found in northern Peru in the Piura region, the Paita-Piura Special Economic Zone focuses primarily on agro-industrial activities. It concentrates on the production and export of agricultural products, including mangoes and avocados. It significantly contributes to the development of the agro-industrial sector in northern Peru and helps meet international demand for high-quality agricultural products.

Located in the Arequipa region in southern Peru, the Matarani-Arequipa Special Economic Zone promotes both manufacturing and agro-industrial activities. It is strategically placed close to the Port of Matarani, which simplifies the export process.

Chapter 5: Key Export Sectors In Peru

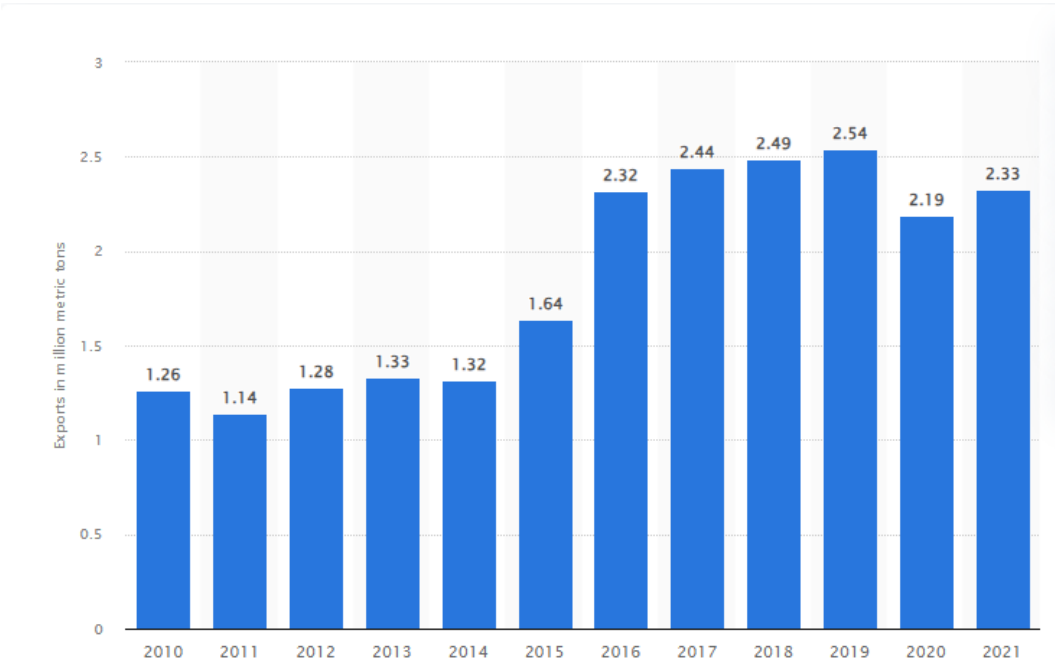
Mining and Natural Resources

The mining sector is a vital component of Peru's economy. Resources like copper, gold, and silver are abundant in the nation and large participants in this market include companies such as Las Bambas, Southern Copper and Antamina.

With the mining industry producing about 16% of Peru's GDP, the country benefits greatly from the mining industry. In their research, Bebbington and Bury (2009) emphasize the importance of sustainable mining practices. They highlight the necessity of government involvement in the mining sector, conditioning the companies to ensure the safeguard of the environment and to make investments in the local communities that are usually rural and poor, such as building new schools and clinics.

Peru is home to an abundance of precious minerals and metals. The main minerals mined in the nation are copper, gold, and silver. It is particularly important to note the copper, of which Peru is one of the world's leading producers (exporting more than 2 million metric tons a year) and it is found primarily in the southernmost regions of Peru: Arequipa, Moquegua and Tacna. Peru also is known for its gold production and possesses significant gold reserves, mostly in the Cajamarca and La Libertad regions. There are several locations where silver is mined in addition, like Puno, Moquegua and Arequipa. Finally, other important minerals in which the nation is a major participant in their supply are zinc, lead, iron, and tin to the world market. These metals are essential to many sectors, including construction and electronics.

Figure 5 – Millions of metric tons of Copper exported over the years



Agriculture and Agro-industry

A wide range of goods, being the most important the avocados, grapes, and asparagus, are cultivated in Peru's most fertile regions. This industry is driven by major agro-industrial players like Grupo Gloria, best known for its dairy products, and Camposol, situated in the fertile northern region of Peru and offering a wide variety of fruits and crops. As well, there are thousands of family own farms and small communities, which the government aids for ensuring the safety of the products. This sector makes up about 8% of the GDP.

It is also important to note that potatoes originate in Peru. Thousands of different potato varieties can be found throughout the nation, demonstrating the remarkable diversity of this world-wide popular crop. Peru's potato biodiversity provides a genetic resource for the development of more potato varieties globally, making it extremely valuable for future agriculture, particularly in light of climate change.

Finally, what makes Peru an agro industrial super power should be accredited to its different climates all across the nation. For farmers, this means they can grow a large variety of crops all along the year. They can grow things like asparagus and citrus fruits along the hot, dry coast. They grow fruits, coffee, and cacao in the rainforest, which is warm and humid, and crops like quinoa and potatoes in the cool highlands. The nation and farmers benefit greatly from this diversity of climates since they can cultivate a wide variety of foods and not become fully dependent on only one source, being prepared with a backup plan in case of sudden erratic weather. In order to sell food both domestically and internationally, this keeps the nation's food production robust and steady.

Manufacturing and Textiles

Peru's manufacturing and textile industry are prominent sectors of the country's economy and are major drivers of its prosperity. This industry includes a wide range of goods made by public and private enterprises.

Textil Del Valle isn't only the most important participant in the textile industry of Peru, but also in the whole Latin-American context, producing clothing of exceptional quality that enjoys global acclaim. Their goods, which are mostly composed of cotton and soft alpaca wool, make up a portion of Peru's exports and bring in money from other nations. On the other hand, there is Inka Cola, a national beverage of Peru; it is well-known and adored there, and the most important manufacturer on the national level. In addition to being a national favorite and constituting part of the national identity, it is also well-known abroad and exported to places like Europe, USA, Argentina and Ecuador.

It is noteworthy that animals like vicuñas and alpacas originate from Peru and their fur are excellent raw materials for clothing. These creatures inhabit the Andes Mountains, and because of living in such high altitudes, their skin is particularly unique. It is ideal for making warm, cozy clothes because it's incredibly soft and warm. Because the fur from these animals is so lovely, people from all over the world adore these clothes.

Chapter 6: Major Import Commodities

Energy and Petroleum

The Andes Mountains of Peru are crucial for hydroelectric power production. Rivers flowing down the mountains create cascades, making them ideal for producing electricity, is fantastic because it doesn't pollute the environment. Nevertheless, Peru still needs to import gas and crude oil despite this benefit. The rivers are unable to generate enough energy for the nation, since transportation and cooking require the import of oil and gas. Therefore, even though the Andes are very beneficial, some imports are still required to keep things operating properly.

According to The Observatory Economic Complexity (2021), Peru became the 44th largest crude oil importer in the world in 2021 with its \$1.66 billion purchase. In Peru that year, crude oil ranked as the second most popular import. The majority of Peru's crude oil comes from Ecuador, Colombia, Brazil, the United States, Nigeria, and Ecuador; at \$724 million, Brazil is the biggest supplier.

International corporations such as Shell and ExxonMobil are heavily involved in the energy sector. They work on projects involving the discovery, production, and distribution of petroleum products in Peru. These businesses play a big role in the global energy market and have a big impact on the nation's energy supply.

Automobiles

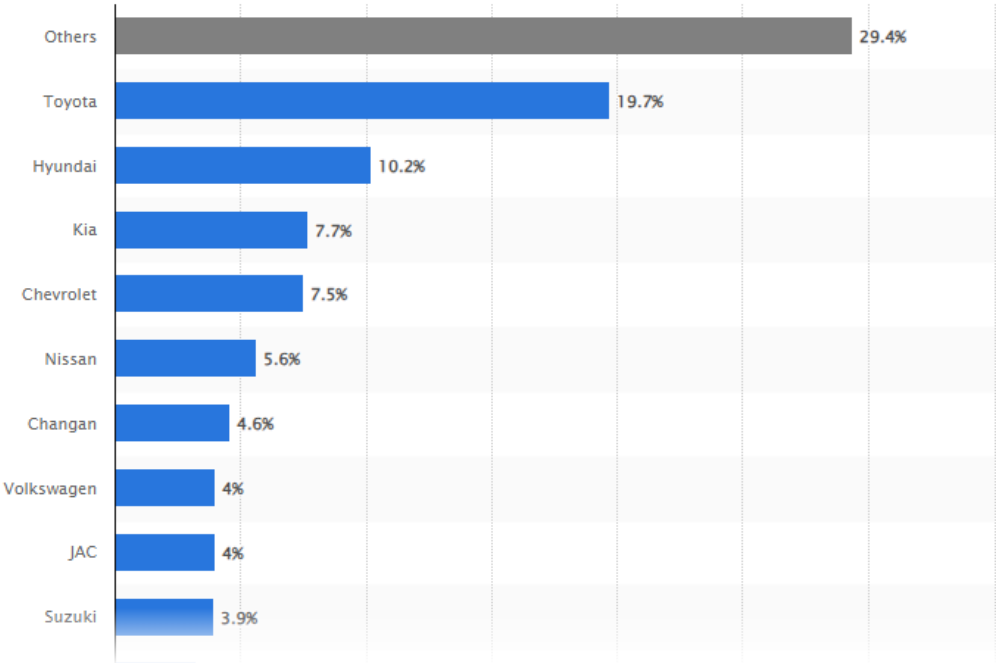
Peru has a big automobile industry, and the nation imports a large variety of automobiles and automotive-related goods. Automobiles such as trucks, motorcycles, passenger cars, and auto parts and accessories are imported. The Peruvian market is home to numerous well-known international automakers, including Toyota, Hyundai, Kia, Chevrolet, and Volkswagen.

Peru is a country that imports automobiles, both new and old, with a particular interest in used cars due to their lower cost. These automobiles are frequently imported from South Korea, the United States, and Japan. For the nation's auto repair and maintenance, imports of auto parts and accessories are crucial.

In order to guarantee that safety and environmental standards are fulfilled, the Peruvian government has set rules and specifications for car imports. Furthermore, there is a growing market for environmentally friendly automobiles, like electric cars, which is changing the kinds of vehicles that are imported.

All things considered, imports from the automotive sector are essential to Peruvians' access to various modes of transportation and to the nation's economy.

Figure 6 – Automobile market share in 2021 in Peru



Chemicals and Pharmaceuticals

Pharmaceuticals, chemicals, and items related to healthcare are just a few of the products that Peru imports into the chemical and pharmaceutical industries. These imports are necessary for the nation's manufacturing, healthcare, and other industrial processes.

Peru imports a large number of pharmaceutical items, such as medications, vaccines, and medical supplies. This includes goods from global pharmaceutical corporations like Novartis, Roche, GlaxoSmithKline, and especially Pfizer, which was crucial providing the Anti-Covid vaccines in 2021.

Imported chemicals include a wide range of materials utilized in production and industrial operations. These substances are used as catalysts, solvents, and production-specific materials, among other things. Major suppliers include foreign firms like Dow Chemical, DuPont, and BASF. They supply an extensive range of chemical solutions to assist Peru's industrial and manufacturing sectors.

In addition, Peru imports things like hospital supplies, medical equipment, and health-related goods. International companies that operate in Peru and support the import and distribution of medical and healthcare equipment include Siemens, General Electric, and Johnson & Johnson. Obviously, these sectors are highly dependent on global foreign corporations due to the lack of strong local production.

Chapter 7: Trade Relations with Major Partners

United States

The United States and Peru have had commercial relations for many years, over several decades. These two nations have developed a strong and dynamic trade alliance over time. Peru has found that the United States is a valuable trading partner, with which it engages in a range of commercial activities, including the import and export of goods and services.

A number of trade agreements that the United States and Peru have signed have had a major impact on their trade relations. The United States-Peru Trade Promotion Agreement (PTPA), which went into force in 2009, is one of these agreements that is noteworthy. The goal of this agreement was to improve bilateral trade by giving both nations the chance to trade goods, services, and investments on agreeable terms.

A wide range of goods and services are traded between Peru and the United States, resulting in complex trade dynamics. According to Observatory Economic Complexity, the US exported \$9.7 billion to Peru in 2021. Refined petroleum (\$3.21B), crude petroleum (\$487M), and vaccines, blood, antisera, toxins, and cultures (\$279M) are the top exports from the United States to Peru. From \$2.01 billion in 1995 to \$9.7 billion in 2021, the United States' exports to Peru have grown at an annualized rate of 6.25% over the past 26 years.

On the other hand, Peru's exports to the US reached \$7.39 billion in 2021. Grapes (\$491M), Other Fruits (\$654M), and Gold (\$724M) were Peru's top exports to the United States. Peru's exports to the United States have grown at an annualized rate of 7.94% over the last 26 years, from \$1.01 billion in 1995 to \$7.39 billion in 2021.

The two nations' respective economies have been greatly impacted by their trade relations. The agreements have made it easier to access markets, which has raised trade volumes, produced new job opportunities, and boosted economic growth in both countries.

Trade between the United States and Peru is still thriving as of right now. Strong ties are still maintained through regular trade flows, continuing discussions, and initiatives to increase collaboration across a range of economic fields, even after China replaced the

US in 2014, becoming Peru's largest trading partner. To deepen their relationship, both nations are actively looking into new trade and investment opportunities.

Despite the achievements, both nations still face difficulties in their trade relations. This entails managing tariff regulations, changes in the economy, and shifting circumstances in the global market. Nevertheless, these obstacles also offer chances for reciprocal development through creative thinking and cooperation.

In conclusion, there has been a steady growth in the trade relations between Peru and the United States over time. Both nations are keeping up their efforts to strengthen their economic ties, encouraging constant communication and cooperation in the interests of future trade. There is hope for the future of trade relations between Peru and the US, given their history and the all-time efforts at cooperation.

China

Over the past few decades, Peru and China have seen a growth in trade volumes and a variety of economic engagements, signifying a strengthening of their trade ties. As of 2014, China became Peru's most important trading partner, providing chances for both nations to exchange a range of goods and services.

According to Observatory Economic Complexity (2021), China exported \$14.3 billion to Peru in 2021. Broadcasting equipment (\$1.05B), computers (\$878M), and coated flat-rolled iron (\$367M) are China's top exports to Peru. China's exports to Peru have grown at an annualized rate of 16.7% over the past 26 years, from \$262 million in 1995 to \$14.3 billion in 2021. On the other hand, China received \$17.7 billion in Peruvian exports. Copper ore (\$10.8B), iron ore (\$1.71B), and animal meal and pellets (\$1.45B) were Peru's top exports to China. Peru's exports to China have grown at an annualized rate of 16.1% over the past 26 years, from \$363 million in 1995 to \$17.7 billion in 2021.

Both nations' economies have benefited greatly from the trade relationship, although, this increase in trade has been more beneficial for Peru than what it has been for China. Increased market access, increased trade volumes, jobs, economic growth and higher involvement of Chinese enterprises in the Peruvian national market have resulted from the trade agreements.

Trade between China and Peru is still strong now. Both nations regularly trade and discuss different forms of economic cooperation and efforts to increase collaboration between various industries and sectors are ongoing, since Chinese enterprises have eagerly shown interest in investing in Peruvian megaprojects, which consist mainly in transportation and infrastructure.

In conclusion, Peru and China's trade relations have grown over time. Both countries are still dedicated to developing their economic alliance, holding regular talks and working together to promote prosperity for both parties. The historical connections and ongoing efforts to improve trade relations are encouraging signs of a bright future for trade between China and Peru.

European Union

Peru and the EU have developed a mutually beneficial trade relationship over time. The goal of this association has been to increase trade and economic cooperation between the two organizations.

The EU-Andean Trade Agreement, which included Peru, Colombia and Ecuador, was a crucial agreement that shaped their commercial relations. The objective of this trade agreement was to strengthen economic relations and establish advantageous trade circumstances, thereby facilitating the flow of goods and services between these three countries of the Andean Community and the European Union.

According to Delegation of the European Union to Peru, the EU, which accounted for roughly 11% of Peru's total goods trade in 2021, ranked as the country's third-biggest trading partner. Amounts exported by Peru to the EU totaled about €6.5 billion, of which 34% were vegetable products, mainly consisting of fruits (23%) and vegetables (3%). Moreover, 6% was natural gas and 31% was made up of ores.

On the other hand, with 0.2% of the EU's overall goods trade, Peru ranked as the 49th largest trading partner. From the EU, Peru imported goods worth €3.5 billion, of which 38% were machinery, 17% were chemicals and pharmaceuticals, including medical devices, and 5% were automobiles.

Significant investments have been made by the European Union in Peru, particularly by Spain, which due to its historic relations is at the moment is one of Peru's most important foreign direct investors. Special attention has been paid to a number of industries with these investments, including technology, infrastructure, and renewable energy. Peru's efforts for modernization and economic development have been greatly aided by EU contributions.

In conclusion, there have been notable advancements in economic cooperation in the trade relations between Peru and the European Union. Both parties are keeping up their efforts to strengthen their alliance and promote constant communication and cooperation in order to ensure successful trade in the future. The historical connections and persistent cooperation promise a bright future for trade between the European Union and Peru.

Major Regional Partners

Peru keeps up strong economic ties with a number of its neighbors, encouraging cooperation and trade to support stability and economic growth in the region. The Pacific Alliance, which is made up of Chile, Colombia, Mexico, and Peru, is one of its most important regional allies. This alliance promotes investment opportunities, trade facilitation, and economic integration among its member nations.

According to ComexPeru (2018), in Latin America and the Caribbean (LAC), this alliance has grown to be one of the most resilient and promising blocs. In addition, it is the world's eighth-largest exporter and the eighth-ranking economic power. This represents 37% of the GDP of the area, exporting 3.2% of all shipments worldwide and 57% of all shipments from Latin America. Additionally, 45% of foreign investment in the region is directed toward the four aforementioned nations.

Furthermore, the primary exports from the Pacific Alliance nations are manufactured goods, agricultural products, and mining and fuel products. As a result, their products complement the markets in the Asia-Pacific area, like South Korea, Australia, New Zealand, Japan and Singapore. By acting as a single unified entity, the Pacific Alliance can promote more effective trade with Asia-Pacific nations, thereby improving market access and economic cooperation between the regions. This is made possible by the alliance's combined strength and diverse export portfolio.

Peru's market reach is further enhanced by its robust trade connections with other Latin American nations, such as Brazil and Argentina. Peru's position in the regional economy is strengthened by these connections, which offer chances for a variety of trade engagements and sectoral cooperation.

Chapter 8: Challenges and Opportunities

Infrastructure Development

Peru has been constantly improving its infrastructure in order to support economic growth and raise the standard of living for its people as a whole. Unfortunately, the process has been slowed down by the state's inefficiency and corruption, like the recent scandal of the Brazilian corporation "Odebrecht". Still, the country's commitment to resolving issues with communication and transportation is reflected in the current situation and its future plans.

To improve connectivity, Peru is making significant investments in airports, bridges, and road networks. The goal of road network expansion is to expedite the transportation of goods and minimize travel times, particularly in isolated regions. This presents a huge challenge for the government, since Peru's geography includes the Andes mountain range and the Amazonas rainforest, which clearly difficult connectivity, bringing negative consequences for the people living in given areas. Nevertheless, highways like the Interoceanic Highway, which connects Brazil and Peru and promotes trade and regional integration, is one of the noteworthy projects finished.

Initiatives for public transportation are being implemented in urban areas to reduce traffic and increase accessibility. Precisely in the capital Lima, which currently is one of the Latin-American cities with the worst traffic, new metro line plans are an example of how efforts are being made to design sustainable and effective transportation networks. Currently, the city has one metro line, and the second is expected to be finished by the end of the year 2023.

Modernizing telecommunications networks and increasing internet access are the main priorities when it comes to communication infrastructure. Investments in 4G and 5G networks have increased as a result of the widespread use of mobile technology, guaranteeing widespread connectivity even in remote areas, which as mentioned before, are very isolated due to their geographic condition. This guarantees that the advantages of connectivity are felt throughout the country, regardless of whether an area is rural or urban.

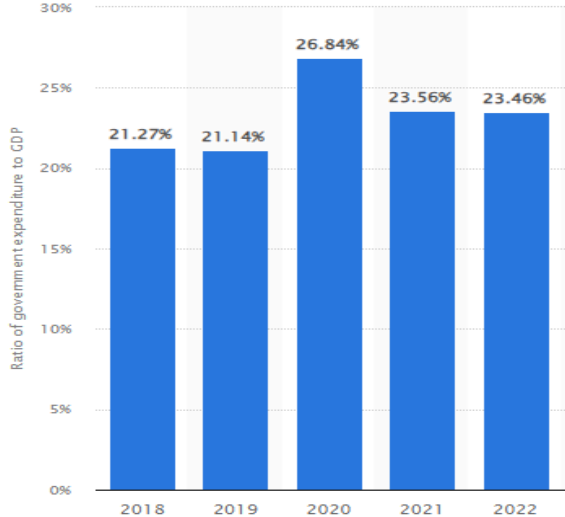
Peru has big plans for the development of its energy and travel infrastructure. The expansion of Chinchero International Airport, in Cuzco, one of the most touristic regions of

Peru, is a good example. For almost all of the nation’s history, Peru has only had one international airport, Jorge Chavez airport, situated in the capital city. This has made the second extremely busy and authorities are not only building another international airport, but also expanding the existent one and building another terminal. In addition, the Southern Peru Gas Pipeline, a significant energy infrastructure project which aims to move natural gas from the Camisea gas fields in the Peruvian Amazon rainforest to the southern parts of the nation, is estimated to be finished by 2026. This is huge, since it will be essential to increasing southern Peru's access to natural gas for home and industrial use.

Even though there has been progress, difficulties still exist, such as financial limitations, complex geographic situations, and corruption or state inefficiency. Nonetheless, these difficulties offer chances for creative fixes and public-private collaborations.

In Peru, trade benefits greatly from investments in communication and transportation infrastructure. Better roads and ports, for example, facilitate the movement of goods and cut down on transit times and expenses. Moreover, improved networks for communication, such as dependable internet access, let companies interact with global markets, simplifying trade procedures and promoting more effective supply chains. This increases the competitiveness of Peruvian goods on the international market and draws in foreign investment. Improved infrastructure can also lead to the opening of new markets and trade routes, which can facilitate economic expansion and provide small enterprises with the chance to engage in international trade.

Figure 7 – Government Expenditure in Infrastructure over GDP



Diversification of Exports

Beyond its traditional strengths in textiles, natural resources, and agriculture, Peru has demonstrated a multifaceted economic profile through impressive strides in export diversification. There exist multiple factors that contribute to the country's success in diversification. Peru's rich cultural legacy in textiles, especially in alpaca and vicuña wool weaving, has given it a distinct advantage and produced highly demanded products around the world. Peru's substantial mineral wealth has been utilized by the natural resources industry, primarily mining, to establish it as a major player in the international market for metals like copper and gold. With an emphasis on premium goods like avocados and coffee, agriculture has helped to establish the country's reputation as a dependable source.

Now, Peru is ideally looking forward to build on its current export advantages going forward rather than entering in a completely new sector. This strategy recognizes the value of optimizing the potential of successful export goods. For instance, a concentrated effort is being made in the textile industry to prioritize finished goods over raw material exports. In addition to leveraging Peru's expert craftsmanship, this moves the country up the global value chain.

Value addition also boosts the economy by generating new jobs and stimulating innovation. To improve the value chain within the current export sectors, the government is working with the private sector to invest in technology and skill development. Even if diversification is commonly associated with venturing into uncharted market segments, Peru's strategic approach acknowledges the value of reinvesting in its existing strengths, guaranteeing a robust and sustainable economic growth.

Sustainable Practices

In order to maintain a harmonious balance between economic development and environmental protection, Peru is actively pursuing sustainable practices. The country has enacted strict regulations in the vital mining industry to protect the environment. These laws, which frequently call for thorough Environmental Impact Assessments (EIAs), are essential for identifying and minimizing any possible negative effects that mining operations may have on the environment and society.

Regarding recycling, Peru is gradually fostering a waste management culture that is conscientious. People are becoming more conscious of the value of recycling even though this process is slow, and Peru can be seen far behind compared to European countries in this aspect. Nevertheless, in September 2023, Peru officially joined the Global Plastic Action Partnership (GPAP), which is another step forward towards a greener future.

In addition, the “Expreso De San Isidro” was an initiative by the municipality of San Isidro to implement the first electric buses for public transportation in the country. This is a huge step forward, and combined with the gradual, although slow, import of more electric and hybrid vehicles, the air pollution in big cities like Lima may decrease in the following years. Optimizing air quality in urban areas is necessary not only to contrast the accelerated climate change, but also for the citizens’ health.

Peru is actively participating in the 2030 Agenda for Sustainable Development, a framework created by the United Nations, in line with global sustainability goals. This agenda, which outlines important goals to address social, economic, and environmental challenges, acts as a compass for the country. Peru is promoting responsible resource management and supporting global efforts towards a more sustainable and equitable future by incorporating these sustainable practices into its development agenda.

Emerging Trade Opportunities

Peru participates in a number of regional trade agreements that may present valuable opportunities. For example, Peru is a party to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which grants access to markets throughout the Asia-Pacific area. Peru is also a part of the Andean Community and Pacific Alliance, which promotes trade with nearby nations.

Peru is looking into expanding trade relations with nations in the Asia-Pacific area given its advantageous location and current trade agreements. Developing closer economic ties with Asia's developing economies like China, Japan, and South Korea, may result in new trade agreements and expanded market access. The first already is Peru's major trading partner.

On the other hand, Peru might also concentrate on fortifying its relations with The United States and The European Union, which already have substantial investments in the nation. It is noteworthy that the increasing competition between The United States and China for being the major global economy may benefit not only Peru, but also the region as a whole.

Peru and other Latin American nations have the chance to broaden their trade alliances by taking advantage of the competition between China and the United States. Countries in the region can spread economic risks and increase resilience by interacting with both economic giants and reducing reliance on any one market.

In order to increase their geopolitical power, China and the United States might look to invest in infrastructure projects in Latin America. Increased investment in vital infrastructure, such as ports, highways, and telecommunications, could result from this competition, giving Latin American nations better access and chances for economic growth. One existing and huge initiative in which the Chinese are the major investors is the Port of Chancay, expected to be finished by November 2024. It will serve as a crucial link for shipping goods, making it easier and more efficient for Peru to export products like minerals and agricultural goods, as well as allowing businesses to access international markets and making it an essential hub for trade and economic development.

Additionally, the competition can help Latin America become more modern by introducing new ideas and technologies that help the nations' progress. Nations can raise capital for

their projects from a variety of sources and can negotiate better prices for the sale of their goods, such as agricultural and mineral products; they can also benefit from favorable agreements and assistance for their needs.

Collaborating with larger nations is crucial for developing countries as it can provide growth opportunities and support. It is even better to rely on multiple significant partners as this gives you more options and helps you avoid issues in the event that one of them doesn't work out.

Conclusion

This thesis explored Peru's economic landscape, taking particular interest in the complex web of trade policies, export industries, import dynamics, and opportunities and challenges influencing the country's future. The historical summary demonstrated the Peruvian economy's tenacity towards the major 20th-century events, most notably Alberto Fujimori's economic reforms, which had a major positive impact on the stability of the country's economy. The thorough analysis of export industries revealed Peru's many economic advantages, from the country's abundant mining resources to its thriving textile sector. An examination of the country's strategic trade relations with major trading partners, such as the US, China, and the EU, let knows the complexities of these international alliances.

Peru's trade policies demonstrated the country's commitment to creating a favorable trade environment. These policies were characterized by import/export regulations, liberalization initiatives, and government support. The issues raised during the discussion, which ranged from the necessity of sustainable practices to the requirements for infrastructure development, indicated areas that needed careful attention. The 2030 Agenda framework's examination of Peru's multilateral trade relations demonstrated the country's dedication to the goals of global sustainability.

Diversification has become a crucial tactic for Peru, as it allows it to strategically increase the value of established export markets while maintaining sustainability and resilience. Peru is positioned as a responsible global player by emphasizing sustainable practices, which include recycling initiatives, strict mining regulations, and alignment with the 2030 Agenda.

In summary, Peru occupies a unique position at the nexus of innovation and tradition, embracing modern global dynamics while capitalizing on its historical advantages. The potential for economic expansion, new trade opportunities, and policy suggestions provide a road map for sustained success as the country makes its own course. The combination of these factors suggests a bright future for Peru, one in which social welfare, environmental stewardship, and a dedication to global sustainability are all interconnected with economic growth. This thesis provides a thorough overview, explaining Peru's

economic history and providing insightful analysis for researchers, policymakers, and other stakeholders interested in the country's development.

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