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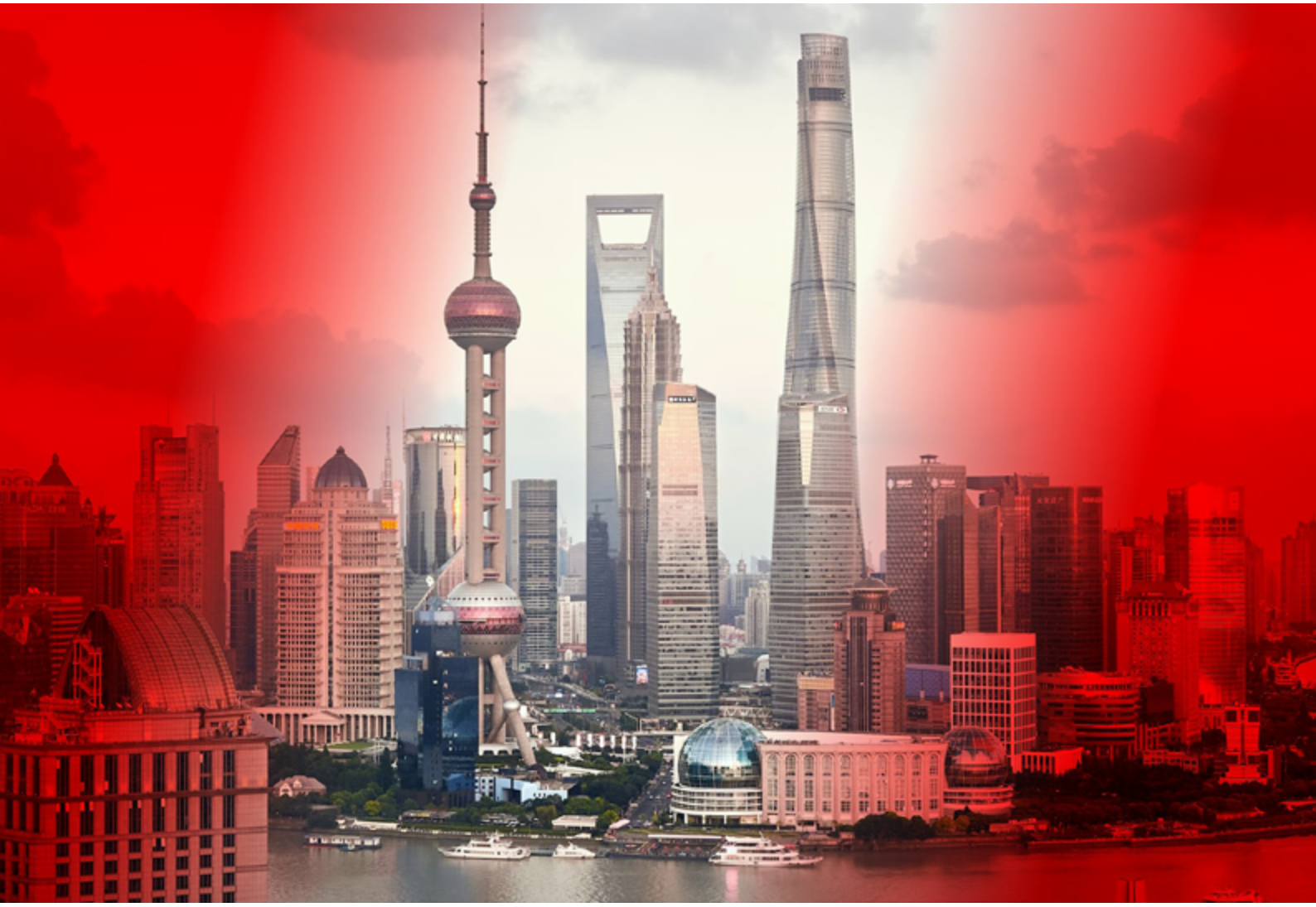
The Evolution of Peru's Multidimensional Challenges:

Engagement with China

R. Evan Ellis



CENTRO DE ESTUDIOS ESTRATÉGICOS DEL EJÉRCITO DEL PERÚ

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The Evolution of Peru's Multidimensional Challenges:

Engagement with China

R. Evan Ellis[1]

Introduction

Peru's relationship with the People's Republic of China (PRC) is one of the most economically significant and deeply rooted in the region. With Lima one of the administrative capitals of the Spanish empire in Latin America, Peru was the destination for thousands of immigrants from coastal China fleeing economic difficulties and political unrest, looking for opportunities in the new world. To this day, Peru, and particularly the greater Lima area, hosts many persons of Chinese origin, elements of Chinese culture, and Chinese shops and restaurants, with "chifa," a fusion of Chinese and Andean flavors, being a staple of Peruvian cuisine.[2]

As a Pacific-facing nation rich in natural resources, Peru was one of the first parts of Latin America in which Chinese mining and petroleum companies set up operations, and was the second country in Latin America, after Chile, to sign a free trade agreement with the PRC, in 2009.[3] By the time Peru's current president Pedro Castillo was elected to office in July 2021, Chinese companies were the largest investors in the country's mining sector, key players in petroleum, and the nation's major trade partner.[4] The PRC recognized Peru as a "comprehensive Strategic partner" in April 2013,[5] and the nation signed up to China's Belt and Road program in April 2019.[6] Peru is also one of the six members of the China-dominated Asia Infrastructure Investment Bank (AIIB).[7] The country reportedly committed to a donation of capital to AIIB far greater than what is typical for member states, without clear motives for doing so.

The COVID-19 pandemic, and the economic, political and administrative uncertainty which has accompanied the government of Pedro Castillo in its first year, have slowed the advance of PRC companies and projects there, as well as those of non-chinese firms. Nonetheless, PRC initiatives with strategic importance for the region such as the port of Chancay are moving forward.[8] Moreover, the combination of the

allegations of corruption[9] and difficulties of PRC-based companies there,[10] China's increasingly aggressive manner in asserting its interests,[11] and its opportunity to leverage the nation's economic and political crisis to expand its interests there has important implications for the rest of the region.

This article examines Chinese engagement in Peru and its evolution under the Castillo Presidency. It is part three in a series examining challenges facing Peru, and an update to the 3-part series published in 2020 on the same topic.[12]

Politics

The Peru-China commercial relationship began to significantly expand in the last 20 years, notably accelerating under the government of Alejandro Toledo,[13] and growing significantly through the signing of multiple commitments during the brief administration of Martin Vizcarra.[14]

From the outset of his administration, Pedro Castillo has recognized the PRC as an important partner and source of resources. One of the President's first public acts, following his election, was to reach out to the Chinese ambassador Liang Yu for expanded vaccine support,[15] even though the efficacy of both Chinese vaccines[16] and Chinese antigen-based tests received under his predecessor had been called into question.[17] Despite President Castillo's interest in working with the PRC, his ability to leverage Chinese investment in a coherent fashion, however, has arguably been undercut by frequent turnover in his government,[18] with changes to more than 50 ministers heading 18 ministries,[19] including four complete government reshuffles with changes in Prime Minister in his first year in office alone. Moreover, of the multiple investigations being pursued against the President and his inner circle for wrongdoing by both the Attorney General and Congress, one of the most serious, publicly known as the "China Construction Club" scandal,[20] involves credible allegations of bribery by four Chinese construction companies involving fifteen contracts with the Peruvian state,[21] complicating the President's ability to use PRC-based companies as a vehicle for development, particularly through large, non-transparent state-to-state contracts. Further complicating the President's engagement with the PRC, in Peru's largest mining project, Las Bambas, the Chinese operator, Minmetals, has come into significant sustained conflict with the local community,[22] trapping the President between one of the nation's most significant

revenue producers and the mining communities and other populations of Peru's interior that the President came to office on promises of protecting.[23]

Despite Peru's importance as a major trading partner and source of commodities for the PRC, the latter's relationship with the country has also not been helped by its choice of ambassador. Peruvian analysts interviewed for this article were virtually unanimous in noting PRC ambassador Liang Yu's relative lack of charisma and discomfort with the Spanish language,[24] by contrast to PRC ambassadors assigned to other countries in the region.[25] They noted that, while dutifully performing his official functions, Ambassador Yu was notably absent in social circles in which Peruvian elites interacted, and had adopted a dismissive tone toward community demands and allegations about bad behavior by PRC-based companies in Peru.[26] These included the China Construction Club scandal, where the ambassador remarked that the Chinese companies must have been the victims,[27] not the perpetrators, since they didn't win the contracts, as well as the dispute over Las Bambas, where Ambassador Yu publicly remarked that it wasn't the fault of the Chinese company that the money that the Chinese company had paid hadn't reached the residents.[28] He further ominously warned ominously that continuous problems such as those in Las Bambas could cause Chinese companies to withdraw from the country.[29]

Trade

As elsewhere in Latin America, Peru's bilateral with China expanded exponentially following the admission of the PRC into the World Trade Organization, growing from $850 million in 2002,[30] to $21.5 billion in 2021,[31] a twenty-five-fold expansion in less than a decade. Despite Peru's Free Trade Agreement with the US, its trade with the PRC also eclipses its trade with the US, which was $16.6 billion during the same period.[32] With its exports concentrated on commodities including iron, copper, and petroleum, Peru has been one of the few nations in the region to maintain a positive trade balance with the PRC. Although 80% of Peru's exports are mining products, it has had some success in exporting some produce to the PRC including blueberries and grapes.[33]

In 2021, Peru exported $15.9 billion to the PRC,[34] compared to $5.6 billion of imports from it.[35] The 2021 figures were somewhat idiosyncratic, however, with imports from the PRC during 2020 having been $11.1 billion.[36] The difference was arguably due to

the effect of COVID-19 which impacted demand for imports more than it impacted mining output. Complimenting Peru's resource endowment, and historic connection with the Pacific, the nation's trade with the PRC has been facilitated by its free trade agreement with the country. The Peru-China FTA was originally signed in 2009,[37] and has 17 chapters and 12 annexes,[38] includes discussion of trade in services. As occurred in Chile, since 2016 Peru has been negotiating with the PRC to update the agreement,[39] with eight rounds of talks. Under the Castillo government, however, talks stalled and no significant progress has been made.

Mining

Peru's mineral wealth has made the mining sector the focus of investment by PRC-based companies in the country,[40] with the first investment by a PRC-based company, the 1992 purchase of the Hierro Peru iron mine in Marcona for $120 million.[41] With control of seven of Peru's largest mines, PRC-based companies have become the 63% of Chinse investment in Peru as of the end of 2021 was the largest investor in the sector,[42] accounting for 100% of Peru's iron production[43] and 25% of its copper output.[44]

The track record of PRC-based companies in dealing with the communities and labor forces associated with Peru's mines has been decidedly mixed. As noted previously, during the end of 2021[45] and the first half of 2022,[46] protesters shut down Las Bambas,[47] Peru's largest Chinese-owned mine. Protesters from communities surrounding the mine argued that the operator, China Minmetals, had failed to build a promised railroad to transport material from the mine,[48] and that their use of trucks along local roads to move the material instead was creating damage for which they were due further compensation.[49] The protests were only the latest of a series of conflicts between Minmetals and surrounding communities,[50] which have caused a total of 400 workdays lost for the mine since 2016.[51]

As noted previously, in the face of community protests, Chinese ambassador Liang Yu said that the Chinese companies had already paid off the community leaders, and wasn't disposed to pay more.[52] The current protest, it is only the latest of a series of conflicts involving Chinese mining companies in Peru. Significant protests have also occurred in the Chinese-operated mine in Marcona Peru,[53] and at Rio Blanco, near Piura,[54] the focus of major protests in 2018 over the anticipated impact of the mine

on the environment and on disrupting the traditional sources of livelihood of the surrounding community.[55] During the COVID-19 pandemic, Chinese-operated mines were criticized for keeping miners in poorly ventilated conditions that facilitated the spread of the disease, confining the miners who became sick, and kicking the families of those who died out of the residential communities established for the miners.[56] Chinese mine operators have also been criticized for paying local police to protect the mines against protesters and others, a practice which is technically legal under Peruvian law but criticized by human rights organizations as a conflict of interest.[57]

Not all Chinese mines in Peru have experienced major problems. The Toromocho mine, operated by China Aluminum Company (CHINALCO) has been held up as an example of relatively positive relations with the local community and labor force,[58] including success by the Chinese operator in relocating an entire town of 5,000 people off of the mining site to a new location down the mountain. Ironically, it was Vladimir Cerron,[59] who originally negotiated with CHINALCO for the Toromocho mining project when the former was governor of Junin where the mine is located,[60] although his relationship with CHINALCO was sometimes contentious,[61] and he has been accused of accepting bribes from the company.[62]

The Galeno mine, operated by the Chinese company Jiangxi,[63] and located in President Castillo's home province of Cajamarca, has also been relatively free of social protests in recent years, as has the Jiangxi-operated mine Pampa de Pongo.[64] While Chinese investments in Peru's mining sector have concentrated on iron and copper deposits, the Chinese are also reportedly interested in lithium deposits in the south of Peru, although the country's sole current lithium project, in Puno, is owned by the Italian company Falchani,[65] and not by PRC-based firms.

Petroleum

As with mining, the petroleum sector was one of the first areas in which PRC-based companies began operating in Peru. China National Petroleum Corporation (CNPC) has had a presence in Talara since 1993,[66] although the operation is now a declining field, with marginal yields. In November 2013,[67] CNPC significantly expanded its presence in Peru acquiring the assets of the Brazilian state oil firm Petrobras in the country for $2.6 billion.[68] Currently, CNPC is planning a major, $4.4 billion investment in Peru's Block 58,[69] which it operates.

By contrast to the mining sector, PRC-based companies have not had significant problems in Peru, although locals burned a building owned by CNPC in the Northern Peru town of El Alto in August 2019,[70] allegedly in protest over the operation's failure to provide sufficient jobs for the community's youth.[71]

Fishing

Peru's fishing sector has long been attractive to the Chinese, with the Humboldt current off Peru's coast providing significant a wealth of fish.[72] During the early 2000s, China Fishery Group acquired fishing fleets and fishmeal processing facilities all along the Peruvian coast, including the large firm Cope Inca.[73] In 2014, however, shortly after the acquisition, a series of problems came together to push the firm into bankruptcy. These included the "El Niño" current, which reduced the fish catch,[74] and problems for Cope Inca with Russia over its fishing of mackerel off its northeast coast Alaska. Beyond the problems of China Fisheries Group, the Chinese Deepwater Fleet has been active off the coast of Peru, including credible evidence[75] that it has played a major role in IUU fishing.[76]

Electricity

In recent years, Chinese companies have acquired a significant stake in Peru's electricity generation, transmission and distribution sector. China Three Gorges (C3G) acquired a significant stake in the sector through a problematic $1.4 billion acquisition of the Chaglla hydroelectric facility from Petrobras,[77] construction of the San Gaban III hydroelectric facility,[78] and gained notoriety by continuing work on the later during COVID-19 without stopping.[79]

Another major milestone for China's advance in Peru's electricity sector occurred in 2020, when Yangtze Power paid $3.6 billion to acquire 86% of the Peruvian assets of Sempra Energy, including the electric company Luz del Sur,[80] the largest electric company in Peru,[81] with 4.9 million consumers.[82] Chinese companies in the electricity sector, like others, have also become increasingly sophisticated in interacting with local companies. In 2019, for example, C3G contracted local law firms to help with due diligence for its acquisitions.[83]

Infrastructure

As in other parts of the region, Chinese companies have increasingly engaged in infrastructure projects in Peru, albeit with significant problems. The role of PRC-based companies in the sector was highlighted by a corruption scandal known as the "Chinese Construction Club," involving four Chinese companies alleged use of bribes to win 15 projects,[84] first exposed in February 2022, ultimately implicating Peru's Minister of Construction and Public Works Juan Silva,[85] the General Secretary of the Presidential Palace Bruno Pacheco, and President Castillo's nephews and sister-in-law.[86]

The collusion of the "China Construction Club" companies with Peruvian government officials in corrupt dealings allegedly included "rigged contracts" which demanded onerous financial guarantees, which only PRC-based companies with backing from deep-pocket Chinese banking partners could provide.[87] Beyond the China Construction Club scandal, as in the mining sector, Chinese companies have also had many problems with their construction contracts. As of June 2022, there were reportedly against Chinese companies, including China Railway 10th Group, which lost a 40 million soles ($10.1 million) legal actions[88] contract for alleged poor performance.[89]

In recent months, Chinese construction companies have also come under fire for not paying their Peruvian subcontractors.[90] In one case, Chinese companies doing work in Ancash subcontracted the work, then abandoned the project, leaving the Peruvian contractors unpaid for over a million soles ($250,000) of work done.[91] Nor are such problems in the construction sector new for PRC-based companies. Earlier work by China Water and Electric on water and sewer systems in Loreto and Iquitos have also been mired in problems, with the head of the Loreto regional government sentenced to prison in 2015 for corruption in conjunction with an award to CWE.[92]

One of the newest major instances of road construction by Chinese firms is a $375 million contract for the paving and improvements to the Huanco-La Union-Huallanca highway,[93] which was awarded to a Chinese company in August 2018.[94] Beyond land transportation, the Chinese company China Harbor is involved in the "Hidrovia amazónica" project to dredge amazon waterways to make them more navigable for larger ships, and to build new river ports.[95] By one estimate, China Harbor has

committed to invest $95 million in the project.[96] For the moment, however, opposition from communities and environmental groups over the impact of dredging[97] on the Amazon ecosystem has forced the suspension of the project.[98]

By far the biggest and most impactful Chinese infrastructure project in Peru is the Port of Chancay. A coalition led by the Chinese shipping giant COSCO, as well as China Railway, China Communications Construction Company, and its subsidiary, China Harbour Engineering,[99] has obtained authorization from the Peruvian government to build a $3 billion, 15-berth container port. The property on which the port was built was originally acquired by the Swiss-Peruvian company Volcan in 2016, but later turned over to COSCO which purchased a 60% ownership stake in Volcan.[100] The port, which advertises itself to be the regional hub port for South America,[101] is planned to have a 1,100 hectare logistics park,[102] connected with the main port by a 1.8 kilometer tunnel which is being built under the Pan-American Highway.[103] Despite protests by the local community for damage to their houses by vibrations associated with blasting and other construction activities,[104] the project is proceeding, with the first births expected to be opened in early 2023, and completion of the port targeted for late 2024.

Although the Chinese COSCO-led consortium owns the property on which Chancay is being built, the port's authorization by Peruvian authorities is based on its availability for public use.[105] Some consulted for this work, however, were skeptical whether the COSCO-led consortium operating the port would find a way to effectively privilege Chinese partners over others in using use the facility. As elsewhere, since at least 2019, the PRC has also sought a Special Economic Zone in conjunction with Chancay,[106] although the Peruvian government has not yet moved to take such a proposal forward. Such a zone, if approved, would in principle give PRC-based companies performing logistics, warehousing and limited assembly operations associated with the port with special tax exemptions, and liberty to operate under their own traditional legal and labor standards.

Plans have also been proposed for Chinese construction of new port facilities at Ilo,[107] possibly connected to Chancay by a new PRC-build train, as well as another Chinese-built port at San Juan de Marcona,[108] which would give more direct Chinese access to mining operations in that area. At the time of this writing, however, none of these other projects have not yet gone forward.[109]

Despite the hoped-for commerce and jobs stimulated by the Chancay port project, Peruvian maritime experts consulted for this work worried that the port other

new Chinese- operated facilities would effectively put the public port of Callao out of business. Callao is reportedly at its limits of its expansion possibilities due to the adjacent Peruvian Navy base and the urban nature of the surrounding terrain, causing most expansion and modernization proposals from the port operators to be denied, while they struggle to identify space adequate for building a new dock to accommodate post-PANAMAX ships. Currently, Maersk is the dominant operator in Peru and China's COSCO is second. Those consulted for this study anticipate that the opportunity presented to COSCO operating from its new mega-terminal at Chancay will allow COSCO to overtake Maersk as Peru's dominant operator.

Telecommunications

In telecommunications, as in other parts of Latin America, the Chinese company Huawei has operated in the Latin America region since 1999. In Peru, its smartphones and other devices are sold by most of the major commercial providers, including Movistar, Telcel, and Claro, which also sells devices for the PRC-based firm Oppo.[110] Huawei also promoted its digital equipment by donating telephones to the Peruvian Foreign Ministry, until they decided to stop using the devices, possibly due to concerns about data privacy in conducting government business.

Beyond Huawei, the PRC-based firm Xiaomi,[111] which competes in the same market space as Apple, is also present in Peru, including a dedicated store in Lima. The Vietnamese company Bitel,[112] a low-cost provider whose market share is growing rapidly, principally uses phones and technology from the Chinese provider ZTE. ZTE also reportedly installed Bitel's base stations in 2018, as it set up national coverage.

Outside Lima, in 2018,[113] a less-known Chinese firm, Yangtze Optical Fiber and Cable, in partnership with Peru's Yachay telecommunications, won an important contract to build 7,500 km of fiberoptic line providing coverage in rural areas in the regions of Ancash, Arequipa, San Martín, and La Libertad regions.[114] The victories represented four of the six contracts awarded by Proinversion that year to bring telecommunications to remote areas.[115] The projects were supposed to be finished in 2022 but completion has reportedly been delayed till at least 2023 by the pandemic.[116]

Although the implementation of 5G in Peru has also been delayed, Huawei devices are used in almost all of the 18-20 pilot projects implemented in the country, and is reportedly positioned to dominate the market when the technology is more fully rolled out.

Other Digital

Beyond telecommunications, PRC-based companies have also made impressive advances in other parts of Peru's digital economy. In cloud computing, Huawei has a data center in Peru complimenting its other data centers in Argentina, Mexico, Chile, and Brazil.[117] Huawei launched its cloud services in Peru[118] in December 2019.[119] As a compliment, in November 2021, the National University of San Marcos launched a specialization in Cloud Computing,[120] in conjunction with Huawei. The collaboration includes Huawei's donation of a server and supporting technology to the university.

In the security domain, the PRC-based surveillance equipment company Hikvision, has established itself in Peru.[121] Additionally, the Chinese ride share company Didi Chuxing entered Peru December 2020,[122] although its position and growth has been less strong than in Mexico and Brazil.[123] Didi reportedly has been hampered in its advance in Peru by the saturated nature of the market where rideshare companies Uber, Cabify,[124] and Taxi Satelital (the app of the local taxi union) all compete for market share.[125]

Finance

In Peru's financial sector, the Bank of China has operated in the country since December 2020.[126] International Commerce Bank of China (ICBC) has also been in Peru since 2014.[127] In general, however, PRC-based banks have mostly served Chinese clients. Moreover, there is not a significant Chinese presence in the financial technology (Fintech) sector in Peru, as there is in Brazil.[128]

Space

In the Space sector, Peru has been a member of the PRC-founded Asia-Pacific Space Cooperation Organization (APSCO) since 2006.[129] Indeed, in 2022, Peru held the rotating presidency of the China-dominated organization.[130] By contrast to Venezuela, Bolivia, Ecuador and Brazil,[131] China has not built or launched satellites for Peru. Nonetheless, Peru's space agency CONIDA collaborates with the PRC with respect to sharing access to satellite imagery, including Peru's PeruSat1, and China's Gaofeng earth imaging satellite,[132] which has been linked by some analysts to military uses.[133] CONIDA also has reportedly sent at least 10 officials to the PLA-affiliated Beijing Aeronautics academy to study satellite programs.

Military

Peru's military has a longstanding relationship with the People's Liberation Army (PLA), including equipment donations and purchases, training and professional military education (PME), institutional visits and exercises. The relationship has deepened to some degree, albeit with some difficulties with respect to equipment sales. The PLA has donated military equipment to the Peruvian Army since 2011.[134] Early donated vehicles reportedly had problems with significant vibrations at speeds from 60 to 95 kph that raised safety concerns for the Peruvian drivers. Since that time, the Peruvian military has also acquired further military trucks from the PRC of the brands Beiben, Dongfeng, and Shanxi.[135] The vehicles continue to be used, including deployment in addressing social unrest in Madre de Dios in 2016.[136]

Peru has also purchased munitions from the PRC, including a purchase in 2000 of rifle rounds that had significant quality issues. The bases of the munition were copper, reportedly causing them to quickly oxidize. More seriously, the soft copper caused rounds to frequently jam the guns, creating potentially lethal risks in a combat environment. Meanwhile, the uneven quality of the gunpowder used caused overcharges that sometimes damaged the weapons on firing.

Following a 2017 military cooperation agreement,[137] the PRC has made significant regular donations of equipment to the Peruvian armed forces, including a 2019 donation of 5 8x8 bridging vehicles, 16 busses and 16 minivans.[138] Other donations have included four patrol boats, tanker trucks, 10 ambulances,[139] and a radar for the Peruvian Air Force.[140] The Chinese have also offered to donate electronic equipment to the Peruvian military such as Huawei servers, just as they have with its Ministry of Foreign Affairs, but to date such donations have not been accepted.

Peru's most significant acquisition from the PRC was 27 Type 90B truck-mounted Multiple Launch Rocket System vehicles to replace its aging Russian BM-21 GRAD vehicles.[141] Although the original acquisition was for 40 vehicles,[142] an audit by the Ministry of Defense's internal control organization uncovered irregularities in the contracting process, as well as technical defects that led to the full acquisition not going forward as planned. Currently, the PLA is attempting to sell the Peruvian military 32 NORINCO 8x8 armored vehicles to meet a need for which the US Stryker vehicle was once the leading candidate.

With respect to personnel exchanges, various PLA and Peruvian military institutions have exchanged delegations.[143] Peruvian officials also regularly travel to the PRC to attend both short courses in the PLA National Defense University in Changping, and longer courses in its higher-level military education facility near Nanjing. Beyond this, at the time of this writing, Peru's PME exchanges with the PRC concentrated on three activities: (1) sending officials to the PLA Superior Intelligence Course, (2) sending personnel (generally Majors) to the Command and General Staff Course near Nanjing, and (3) sending officials to the Higher-Level Command Course.

Peruvians consulted for this work who had attended courses in the PRC, but who were no longer in active service, noted that the Chinese approach was highly personalized, focusing on not only their individual learning and research objectives while there, but also their individual viewpoints and doubts about the PRC. They noted that the PLA often assigned multiple senior persons to help them meet their learning and research objectives, and also to address their doubts and concerns. They further noted that the Chinese often appeared more willing than their Western counterparts to offer the courses without charging for housing or transportation. The PLA offering, in this regard, reportedly tempted the Peruvian government to send officials to the PLA courses, seeking out niche areas such as asymmetric warfare, space or other technical training, where the Chinese offering was perceived as valuable.

Education

In education, a number of major Peruvian universities have Asian studies programs with significant China focus. The most significant of these include Peru's Catholic University (PUCP) in Lima,[144] including former El Comercio Lima correspondent Patricia Marina Castro Obando. The University of the Pacific,[145] also in Lima, also has a respected, well-funded Asia Center, as well as the University of San Marcos.[146]

The PRC operates four Confucius Institutes in Peru. Its principal facility is located at PUCP,[147] which received 39 scholarships for the study of students in the PRC from the Chinese language and culture promotion organization Hanban.[148] Its other Confucius Institutes are located at the Ricardo Palma University,[149] also in Lima, as well as the University of Arequipa[150] and the University of Piura.[151]

Chinese role in Crime

In addition to official and commercial PRC activities in Peru, Chinese organized crime groups also operate in the country.[152] Chinese triads, known locally as "Red Dragon" are reportedly present in Peruvian-Chinese communities in the greater Lima area, and elsewhere in the country including ports such as Callao, Paita, and Chimbote.[153] Chinese organized crime groups were also believed by those consulted for this work to have a role in operations in Peru's casinos and wildlife trade. Within illegal mining, local Chinese with ties to companies in the PRC ("consolidators") play a role in purchasing and helping to launder illegally obtained minerals.

COVID-19

The PRC played a significant role in Peru's COVID-19 response, albeit with problems. Both the Chinese government, and firms such as Huawei and Alibaba provided gifts of masks, thermometers, test kits, and ventilators,[154] among other items. One major donation of 30,000 molecular tests,[155] along with ventilators, masks and other items,[156] arrived in April 2020. Similarly, in October 2020, Alibaba and the Jack Ma foundation provided 100,000 masks and 2,000 test kits,[157] among other items. Additionally, the PRC has made donations to Peru at the subnational level through its "sister city" relationships, which had previously been largely symbolic. The Chinese city of Zhongshan, for example, provided 100,000 masks and 100 thermometers.[158]

Chinese companies were also key players in several controversial actions taken by prior Peruvian government responding to COVID-19. The Vizcarra government, for example, made a $28 million purchase of uncertified quick tests from China Orient Gene Biotech.[159] Critics noted the high false negative rate of these tests as a contributor to the spread of the pandemic in the country.[160]

With respect to vaccines, Peru was one of four Latin American countries to conduct phase 3 clinical trials.[161] The Chinese firm Sinopharm planned to produce its vaccine in Peru as COVID-19 waned.[162] Nonetheless, after higher efficacy Western Messenger RNA vaccines such as those of Moderna became available in Peru,[163] the use of Sinopharm was scaled back and plans for its production in the country evaporated. No other Chinese vaccine producers such as Sinovac or CanSino have entered the country.

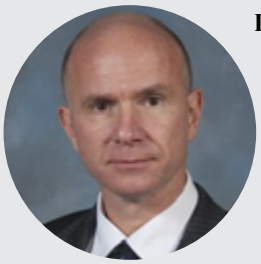
Conclusion

The PRC's significant, longstanding relationship with Peru,[164] including its significant role in key sectors such as mining, petroleum, logistics, telecommunications and military interactions, positions it well to expand that relationship in response to the country's economic and fiscal needs. The PRC will be particularly well positioned to expand its role if President Castillo, with his working relationships with PRC-based companies,[165] survives the current political crisis,[166] in need of something to show benefits to his support base. In any possible political scenario in Peru in which President Castillo leaves power and is replaced by another leader either on the left, or a more transaction ally oriented leader, it would create opportunities for the PRC for different reasons.

In the context of Peru's economic and fiscal needs, despite problems with PRC-based companies in a variety of sectors, those companies' purchases of Peru's commodities and their investment in its industries can still play a constructive role, alongside engagement with Western investors and institutions, in helping the country through the current difficult period and advance its future development.

To ensure that such engagement most fully benefits Peru and its development, and not the investing countries and the elites who sign the deals, it is imperative that Peru engage with the PRC in a framework of transparent interactions, in the context of rule of law, a level playing field in which all can participate, technically competent analysis of contracts, competitions, and investment risk, and the enforcement of laws and regulations. The United States, and other democratic governments such as those of Japan, South Korea, Taiwan, and the European Union, have considerable experience in supporting countries such as Peru in this area, as well as a stake in the nation's success as a prosperous democratic nation open to engagement with all.

ABOUT THE AUTHOR:



EDr. Evan Ellis is a research professor of Latin American Studies at the U.S. Army War College Strategic Studies Institute, with a focus on the region's relationships with China and other non-Western Hemisphere actors, as well as transnational organized crime and populism in the region.

Dr. Ellis has published over 300 works, including the 2009 book China in Latin America: The Whats and Wherefores, the 2013 book The Strategic Dimension of Chinese Engagement with Latin America, the 2014 book, China on the Ground in Latin America, and the 2018 book, Transnational Organized Crime in Latin America and the Caribbean. He recently published his 5th book, China Engages Latin America: Distorting Development and Democracy?

Endnotes:

1 The author is Latin America Research Professor with the U.S. Army War College Strategic Studies Institute. The views expressed here are strictly his own. The author thanks Leonard Longa, Jose Robles, Luis de la Flor Rivero, Educardo Zarauz, Mario Caballero Ferioli, Anibal Cueva Lopez, Martin Arbulu, Josue Meneses, Juan Carlos Liendo and Jorge Serrano Torres, among others, for their help with this work.

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