MASTERARBEIT / MASTER'S THESIS

Titel der Masterarbeit / Title of the Master's Thesis

"China's engagement in the Peruvian mining sector: the politico-economic relations between China and Peru"

verfasst von / submitted by

Nathalie Wagner, BA

angestrebter akademischer Grad / in partial fulfillment of the requirements for the degree of

Master of Arts (MA)

Wien, 2023 / Vienna, 2023

Studienkennzahl lt. Studienblatt/ degree programme code as it appears on the student record sheet:	UA 066 589
Studienrichtung lt. Studienblatt/ degree programme as it appears on the student record sheet:	Masterstudium Internationale Entwicklung
Betreut von / Supervisor:	Univ.-Prof. Dipl.-Ing. Dr. Kristina Dietz

Table of contents

List of abbreviations

BRI	Belt and Road Initiative
BIT	Bilateral Investment Treaty
CELAC	Community of Latin American and Caribbean States
CNPC	China National Petroleum Corporation
DAR	Derecho, Ambiente y Recursos Naturales
EY	Ernst & Young Global Limited
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GIS	Geopolitical Intelligence Services
IFR	Iniciativa de la Franja y la Ruta
ILO	International Labour Organization
IMF	International Monetary Fund
ITC	International Trade Center
LAC	Latin America and the Caribbean
LAPOP	Latin American Public Opinion Project
OEC	The Observatory of Economic Complexity
OECD	Organisation for Economic Cooperation and Development
PRC	People’s Republic of China
UN Comtrade	United Nations Commodity Trade Statistics Database
U.S.	United States
WITS	World Integrated Trade Solution
w.p.	Without pages

- intentionally left blank -

1. Introduction

1.1 Problem statement and research question

In this Master’s thesis, I will be analyzing to what extent China’s growing demand for minerals influences the politico-economic relations between China and Peru.

Peru is rich in mineral resources such as copper, iron ore, silver, and gold. In fact, Peru is the largest producer in Latin America of zinc, lead, tin, indium, andalusite, and selenium (Ministry of Energy and Mines of Peru 2021:46). It is the country with the highest silver reserves worldwide (ibid.:49).

Peru has been experiencing an economic boom that is largely driven by the global demand for its minerals and other primary commodities as well as by Peru’s strong commitment to international trade. Especially its expanding relations with China have been playing a key part in this development (Sanborn & Yong 2013:3).

China’s need for minerals has been increasing due to its process of industrialization and urbanization. For Peru and many other resource-rich countries, this has offered great opportunities to attract Chinese investments and expand trade relations (ibid.).

The China-Peru trade relations have been steadily growing since the twenty-first century. China has surpassed the U.S. in 2014 and has been Peru’s largest trade partner ever since (UN Comtrade 2023).

China’s interest in the Peruvian mining sector and its increasing demand for minerals manifest themselves in the trade dynamics and its investments in the sector. While the trade dynamics between the two countries in the 1990s were dominated by China’s demand for animal meat, mineral products became more and more popular and dominated from 2003 onwards (OEC 2023).

China’s interest in the sector can also be seen in its investments. It was the largest foreign direct investor in mining projects from 2015 to 2018 (EY & Ministry of Foreign Affairs of Peru 2015/2016:25, 2017/2018:27) and the second-largest after the United Kingdom from 2019 onwards (ibid. 2019/2020:29). In 2022, China overtook the United Kingdom again as Peru’s most important investor in the mining industry (ibid. 2023/2024:35).

With these dynamics, the mining sector has become the driving force behind the Sino-Peruvian trade and investment relations.

Chinese presence in Peru has also been deepening since Peru became a participating country of the Belt and Road Initiative in 2019. The Belt and Road Initiative (BRI) is a large infrastructure project proposed by the Chinese government in 2013 and aims to create new

trade routes with the help of Chinese investments in infrastructure and other sectors such as mining and energy (cf. Belt and Road Portal 2023).
The mining industry has been important for Peru's economic growth and is considered to be its main driving force (EY & Ministry of Foreign Affairs of Peru 2020/2021:21). Because of this, China's growing demand for minerals is seen as an opportunity for development in Peru. At the same time, however, the rising demand for natural resources "has also revived longstanding concerns in Peru about the risks of excessive dependency on primary commodity exports, and the structural challenges to achieving a more diversified and productive economy." (Sanborn & Yong 2013:4).

In this thesis, I want to find out how China's demand for minerals in Peru influences the politico-economic relations between the two countries.
Therefore, the question I focus on is the following:

To what extent does China's increasing demand for minerals influence the politico-economic relations between China and Peru?

In the last thirty years, many changes have been happening in their politico-economic relations due to China's interest in the mining industry and its increasing demand for minerals in Peru. Therefore, I am going to focus on the major developments since the 1990s. For this, I will analyze Peru's foreign policy and politico-economic policies toward China. That includes bilateral trade agreements and investment treaties, among others.
My analysis also provides answers to the following subquestions. They are important because they will finally lead me to the answer to my main research question.

- To what extent does China's interest in mineral resources in Peru influence Peru's dependent position in the world economy? To what extent does it influence Peru's dependent position in the economic relationship between the two countries?
- To what extent does China's interest in mineral resources influence Peru's economy?
- How does China's involvement in the mineral sector evolve now that Peru is part of the Belt and Road Initiative?
- What are the geopolitical consequences of China's engagement in the Peruvian mining industry?

To answer these questions, I am basing my analysis on theoretical frames that help me to understand the politico-economic dynamics between China and Peru. The theories that I will

use are the dependency theory with views from Singer and Hirschman, and the world-systems theory with views from Wallerstein and Li. These theories are portrayed in the third chapter of the thesis. Using a chart, I demonstrate why I chose these theories and how they are applied to analyze the politico-economic relations between China and Peru.
In the third chapter, I explain what methods were used and why these were the right ones to choose for my thesis.
The analysis is also built on documents that were signed between China and Peru since the 1990s which were directly or indirectly of importance for the Peruvian mining sector as well as for the politico-economic relations between both countries, such as their trade and investment relations, among others. I portray these documents in the contextual chapter of my thesis. This is of necessity because these documents show how the dynamics between China and Peru have evolved and how their relations became stronger in the last thirty years due to China's interest in the Peruvian minerals sector and Peru's interest in China as an economic partner.
In the analytical chapter, which is the main part of this thesis, these documents, as well as statistics and graphs, are analyzed with the help of the theoretical categories developed in the second chapter.
The analytical part is divided into different subchapters that each analyze the main question from different angles, as well as focus on the different subquestions I'm asking.
Finally, the conclusion provides a summary of my findings and an answer to my main research question.

1.2 State of research

Since China's presence in Latin America has been growing over the last thirty years, research on the topic of the China-Latin America relations has been increasing.
Scholars working on these relations underline that investments in the energy and raw materials sectors as well as, lately, infrastructure projects have shaped the Latin American-Chinese relations since the twentyfirst century (e.g. Dussel Peters & Jenkins 2006 and 2009, Dussel Peters & Armony & Cui 2018, Dussel Peters 2019, 2021).
One issue that is commonly debated in research about the Chinese-Latin American relations is the question of dependency relations (e.g. Dussel Peters & Jenkins 2009, Harris 2015, Lopes Afonso & Quinet de Andrade Bastos & Salgueiro Perobelli 2021, Castro Herrera 2022, Sanborn & Chonn Ching 2017). While most researchers agree that there is a risk that countries

in the region become dependent on trade with China and on the export of primary commodities such as copper or iron ore, others focus on the benefits of Chinese presence and deem the risks as insignificant and argue that the positive effects outweigh the negative ones (e.g. Harris 2015, Sanborn & Chonn Ching 2017, Piccone 2020).

Authors like Dussel Peters and Jenkins (2006), Piccone (2020), and Polga-Hecimovich (2022) see one resulting impact of the growing Latin American-Chinese ties in the changing relations toward third countries. Many authors write about the reactions of the United States to the growing Chinese presence and power in the region and found that the U.S. is pursuing strategies to increase its own power in the region so as to lessen the Chinese influence.

Scholars agree that the Latin American countries' relations with the U.S. have been changing due to their relations with China and that this can have positive and negative consequences for Latin American states. In their research, different authors come to similar conclusions concerning the Latin American countries' partnerships with China and the United States. They agree that most probably, it will come to a "triangular relationship", in which both the U.S. and China have much influence in the region and are in competition for power (Dussel Peters 2019:3, cf. Polga-Hecimovich 2022).

Many researchers also analyzed the geopolitical impacts and the potential security risks resulting from China's growing presence in the region and its "soft power approach" (e.g. Castro Herrera 2022, Novak & Namihas 2022, Piccone 2016, Cardenal et al. 2017). The expression "soft power" refers to the use of a country's cultural and economic influence in order to get other countries to do something, and stands in contrast to "hard power" such as the use of military power (Cambridge Dictionary 2023).

One current topic that is analyzed in this context is the Belt and Road Initiative (BRI) (e.g. Strategic Comments 2018, Caceres Solis 2022, Estrada Terrones 2022). Researchers agree that there is a security threat resulting from China's presence in the region, particularly in connection to the spread of authoritarianism and the question of Taiwan. However, they also find that many Latin American countries seem not to perceive the BRI or China as a threat but as a beneficial trade partner and even an alternative to traditional partners like the U.S. (e.g. Novak & Namihas 2022, Piccone 2020).

Peru is often taken as an example to show China's growing presence in the region.

Similar to the more general research focused on the entire region, research about Peru analyzes dependency relations with China and is often based on trade and investment relations (e.g. Gonzalez-Vicente 2012, Creutzfeldt 2016, Salazar Valdivia 2019).

One topic of interest in this domain is the benefits and costs of Chinese investments in the Peruvian mining sector. Sanborn and Chonn Ching (2017) for example analyze the dynamics that result from China's increasing demand for minerals. Without ignoring the potential risks, they conclude that trade with China presents many benefits for Peru's economy and development.

In sum, most research that has been published on the topic of China-Latin American relations concludes that Chinese presence in Latin America presents an opportunity for Latin America's economic growth and development. However, all authors agree that the risks should be taken seriously and not be downplayed. Latin American countries should be aware of the opportunities and positive effects of relations with China, as well as be aware of the risks they pose for their independence and their relations with other important partners such as the United States. Therefore, many researchers come to the conclusion that currently, the main challenge for Latin American countries is how to respond to the growing Chinese influence and increasing competitive strength of China in the region (Dussel Peters & Jenkins 2006:35/ Caceres Solis 2022:8).

1.3 Relevance of topic for international development studies

International development studies are an interdisciplinary field of study and comprise many different disciplines such as international politics, history and economics among others.

The topic of my Master's thesis combines many different fields that are of importance for international development studies: international relations, international political economy, extractivism, and to a lesser extent, Indigenous peoples' rights and issues concerning the environment.

The topic of "development" is often critically analyzed and debated in development studies. The production and export of minerals is seen as having great potential for the development of Peru's economy (EY & Ministry of Foreign Affairs of Peru 2019/2020: 2-5). Thus, this topic is directly linked to the idea of "development" itself. The consequences of this development will be analyzed in my thesis.

Another reason why my research question is relevant for politics and social sciences is that it could explain why certain dynamics – such as growing ties between some countries but also growing mistrust by other countries – take place, and maybe even how such processes can be avoided and others can be promoted in the future. International development studies critically analyze power dimensions. This is also the case in my Master's thesis, since the power dimensions between China and Peru are of great interest to me. Topics that are often debated in international development studies such as dependency relations and South-South cooperation also play an important role in my Master’s thesis.

2. Theory

As theoretical lenses for the topic of my Master’s thesis, I used the dependency theory which comprises trade theories such as Hirschman’s analysis of trade dependency as well as Singer’s views on investment dependency. I also made use of the world-systems theory by Immanuel Wallerstein.

The dependency theory and the world-systems theory are critical theories. A theory can be considered critical “when it seeks to identify injustices and show how they were produced.” (Paquin 2021:35). Taking a critical position toward unequal relations between countries and toward the idea of development itself is what I am interested in.

In this chapter, I am going to portray the two theories and explain how they can be applied for the analysis of the politico-economic relations between China and Peru.

2.1 Dependency Theory

The dependency theory became popular in the 1960s and 1970s in Latin America and was created as a critical response to the modernization theory and free trade policies in the West (Kufakurinani et al. 2017:vi). Modernization theorists argued that “underdevelopment” could be explained by endogenous factors such as cultural characteristics or traditions. In contrast, dependency theorists claimed that one should look at the exogenous factors to explain why some countries remain “underdeveloped”. They rejected the modernization theory and criticized its ahistorical approach to development as well as its lack of consideration for global economic and political structures (ibid.). Dependency theory sees history and colonialism as important reasons why countries take on different positions within the global economy and thus why some countries became industrialized and “developed” while other countries remained at the periphery (ibid.).

In the dependency theory, it is considered that capitalism has always been global and that this global capitalism has never permitted “underdeveloped” states to catch up with the advanced countries (Kufakurinani et al. 2017:14).

The best-known characteristic of the dependency theory is its notions of "core" and "periphery", which are applied to categorize countries. These terms are used to refer to countries from the North (core) and the South (periphery). Dependency theorists claim that

> "beyond the end of formal colonialism, the value transfers of profits have continued to flow from the Global South to the North. This implies that the "core countries" of the North continue to benefit from their extraction of wealth from the "peripheral countries" of the South. Within such a framework, the underdevelopment of countries in the South can be explained via their continued exploitation at the hands of the North, rather than only by way of internal policy failures" (Kufakurinani et al. 2017:vi).

One well-known dependency scholar was Hans Wolfgang Singer. The German-British development economist saw one problem of the "underdeveloped" countries in their specialization in primary commodities. Singer claimed that the specialization of developing countries in primary commodities, in combination with slow technical progress in this sector has caused these countries to lag behind the industrialized countries (Cuddington & Ludema & Jayasuriya 2002:1). In *The Distribution of Gains between Investing and Borrowing Countries* (1950), he goes even further and takes a critical stance toward foreign direct investment and trade itself. He writes that "the productive facilities for producing export goods in underdeveloped countries are often foreign-owned as a result of previous investment in these countries" (Singer 1950:474) and that this could lead to difficulties for the "underdeveloped" country. He argues that the positive effects of foreign trade and investment are not equally shared between countries (Singer 1959:480). While "underdeveloped" countries do not have many benefits from trade and investment, developed countries profit in various ways. They have (1) the possibility to build up more exports of manufactures and this way, to transform the population from low-productivity activities to high-productivity activities, (2) their economies profit from the expanded manufacturing industries, (3) they enjoy the general dynamic impulse that radiates from industries in a modern society, (4) as consumers of primary commodities, they enjoy the outcomes of technical progress in primary industries resulting from foreign investments, (5) they benefit from a contribution of foreign consumers of their manufactured goods, in the sense that articles can be sold and incomes of the producers of the manufactured goods can rise (Singer 1950:480).

Developed countries also profit from lower prices of primary commodities if the production of these commodities is increased, which is often the case when the productive companies are foreign-owned. At the same time, they benefit from better income due to their sales of manufactured goods in their home country.

This way, Singer argues, developed countries win in two ways, and "underdeveloped" countries lose in two ways:

> "The industrialized countries have had the best of both worlds, both as consumers of primary commodities and as producers of manufactured articles, whereas the underdeveloped countries had the worst of both worlds, as consumers of manufactures and as producers of raw materials. This perhaps is the legitimate germ of truth in the charge that foreign investment of the traditional type formed part of a system of "economic imperialism" and of "exploitation"." (Singer 1950:479-480).

He writes that foreign direct investment (FDI)[1] is especially harmful because it can take away the opportunities of "underdeveloped" countries to develop domestic industries themselves. Foreign-owned companies may be more productive than domestic ones, but "they may well be less productive than domestic industries in those countries which might have developed if those countries had not become specialized to the degree in which they now are to the export of food and raw materials, thus providing the means of producing manufactured goods elsewhere with superior efficiency." (ibid.:476). Even though these thoughts are speculative, they should not be dismissed.

In a less speculative manner, Singer explains why he sees investments as presenting an obstacle to possible industrialization of poorer countries. He writes that the combination of good prices for primary commodities and a rise in sold quantities can give the "underdeveloped" countries the necessary means to import goods and finance their own industrial development (ibid.:482). At the same time, however, they take away the incentive to do so, because they show how beneficial the primary commodities sector can be. Thus, investment, both foreign and domestic, is directed into an expansion of the primary commodity sector (Singer 1950:482). This takes away the incentive of using the investments in other sectors that would be needed to complement the imports of goods and to diversify the economy. In another scenario, when the sales and prices of primary commodities decrease, the desire to industrialize increases. Meanwhile, the means to do this are also reduced due to the loss of export revenues. This way, there is a risk of "falling between two stools: failing to industrialize in a boom because things are as good as they are, and failing to industrialize in a slump because things are as bad as they are." (Singer 1950: 482).

[1] The OECD (2023:w.p.) defines Foreign Direct Investment (FDI) as "a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy."

For this reason, Singer concludes that foreign direct investment and the resulting concentration of “underdeveloped” countries on the export of raw materials and food has been unfortunate for these countries for two reasons: (1) because most cumulative and secondary beneficial effects of investment were removed from the “underdeveloped” country which was invested in, to the country that did the investing, and (2) because it limits the “underdeveloped” countries “into types of activity offering less scope for technical progress”, or at least takes away the incentive to reach for industrial progress (Singer 1950:477).

Singer argues that one solution for these problems would be offered by the diversification of the economies of peripheral countries. However, even though countries in Latin America have diversified or are currently trying to diversify their economies, they are still tied to the primary commodities sector to the largest extent. This may be due to the lack of incentive, as Singer explained. Still today the “problems of development are therefore to a large degree the same old problems that the dependency scholars were observing half a century ago” (Kufakurinani et al. 2017:89).

Another theorist who analyzed the relations between trade and dependency was Albert O. Hirschman. Hirschman was a German economist interested in political economy and development economics. Even though he is not necessarily a dependency theorist because he expressed his views many years before the dependency theory came into existence, his views are worth mentioning and fit into this part of the theoretical frame.

In his book *National Power and the Structure of Foreign Trade,* published in 1945, he writes about the fact that foreign trade relations can lead to and can reinforce dependency relations. He argues that the main cause for dependency relations resulting from trade is the power that countries have to interrupt the relations: “Thus, the power to interrupt commercial or financial relations with any country [...] is the root cause of the influence or power position which a country acquires in other countries, just as it is the root cause of the "dependence on trade."” (Hirschman 1945:16). Such trade interruptions rarely occur, but, as Hirschman (ibid.) argues, even only the awareness of their possibility suffices to test how much influence a stronger country has on another, weaker country.

Even though dependency dynamics go both ways in a trade relation, the two countries are not necessarily impacted to the same degree by these dependencies. The degree of dependency is determined by the level of export or import to or from the partner country and by the number of alternative trade partners that the countries have (cf. Hirschman 1945:31/108). Hirschman (1945:30) argues that "[t]he greater the percentage of exports and imports involved in a dominant market [is], the more difficult it will be to provide substitute markets and sources of supply". He supports this claim by providing an example:

> "German-Bulgarian trade in 1938 [...] represented 52 and 59 per cent of Bulgarian imports and exports, respectively, but only 15 and 1,1 per cent of the German imports and exports. These figures indicate that although the same absolute amount is involved, it will be much more difficult for Bulgaria to shift her trade with Germany to other countries than it will be for Germany to replace Bulgaria as a selling market and a source of supplies." (Hirschman 1945:31).

Hirschman agrees with Singer and argues that the degree of specialization also plays a role in whether a country is vulnerable to dependency or not. The dependency on one or a few products often goes along with the dependency on one or a few big trade partners (ibid.:75). This way, when country A is specialized in natural resources, it becomes dependent not only on these products for export but it also becomes dependent on country B that needs these products. As we have already seen, this does not mean that country B is necessarily to the same amount dependent on country A. Hirschman writes that these two forms of dependencies are often cumulative and that in this way, foreign trade presents the risk of leading to the greatest degree of dependence for certain countries (ibid.:75).
He concludes that

> "world trade tends to correlate dependence upon a few countries which in turn depend upon a few products; it also brings about conditions in which the availability of alternative markets is seriously impaired. Under the condition of unchecked national sovereignties, this pattern therefore provides large opportunities for the exercise of economic pressures" (Hirschman 1945:108).

Therefore, Hirschman argues that the most effective way of avoiding economic pressures and dependency on one single economic power would be to have many alternative trade partners instead of limiting trade to one partner who has the monopoly. He explains that, as a defensive measure, the smaller countries should try to split their trade equally "among as many countries as possible in order to escape too great a dependence on one or two great markets or supply sources." (Hirschman 1945:85-86).

Hence, what Singer and Hirschman see as necessary solutions to avoid dependency on one investment and trade partner is the diversification of the economy and having as many alternative trade partners as possible.

2.2 World-Systems Theory

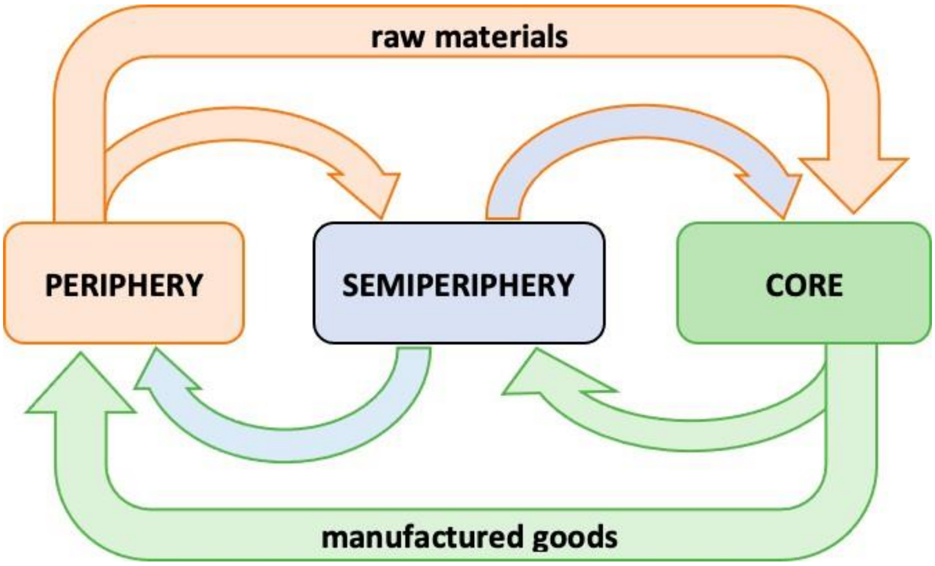
The dependency theory set the stage for the emergence of the world-systems theory (Wallerstein 2006:11). In this theory, the ideas of the dependency theory such as "core" and "periphery" are combined with some new ideas and categories. Today, the best-known world-systems theorist is Immanuel Wallerstein (1974, 1976, 1979, 2006). Wallerstein was an economic historian and sociologist and was interested in political economy and dependency relations.

Wallerstein's world-systems analysis is based on the modern world-economy, which is characterized by capitalism (Wallerstein 2006:17). He defines capitalism not only as the sale of products in a market with the aim of profit but as a system that is based on accumulating money *endlessly* (Wallerstein 2009:15).

The basic postulate of the world-systems theory is that the modern world-system comprises *one single* capitalist world economy (Gorin 1985:334).

Within this system, there exist three categories of states, based on their economic power and production and trade processes: the periphery, the semiperiphery and the core.

Wallerstein calls states that have both core-like and peripheral products "semiperipheral" states (Wallerstein 2006:28). These states trade core products to the periphery and peripheral products to the core (ibid.:97). The following graphic depicts the trade relations between the three types of states.



Source: own creation

Semiperipheral states, he argues, find themselves in the most difficult situation. On the one hand, they are finding themselves put under pressure by core states, but on the other hand, they also put pressure on peripheral states. They do everything to avoid slipping back into the periphery and work toward becoming a member of the core states (Wallerstein 2006:29). Wallerstein gives a definition of the three categories that helps to better understand their interrelations. He defines core zones as zones that are characterized by "high-profit, high-technology and high-wage diversified production", and peripheral zones as zones characterized by "low-profit, low-technology and low-wage, less diversified production" (Wallerstein 1976:462). But, he writes:

> "[T]here has always been a series of countries which fall in between in a very concrete way, and play a different role. The productive activities of these semi-peripheral countries are more evenly divided. In part they act as a peripheral zone for core countries and in part they act as a core country for some peripheral areas." (Wallerstein 1976: 462-463).

Core countries are specialized in advanced and complex activities like mass industry, while peripheral countries create simple products like sugar, oil and minerals, among others. In peripheral countries, the labour force is often made up of slaves or exploited workers. Semiperipheral countries are a hybrid of the other two types of countries (Paquin 2021:140-141).

Within the capitalist system, states are therefore largely determined by their positioning within the world-economy (ibid.:141). They can however change their position and move from

periphery to semiperiphery, from semiperiphery to core, and vice versa (Paquin 2021:141). Wallerstein (2009), Li (2017), and Clark (2010) call this "upward" and "downward mobility". Another interesting concept of the world-systems theory is described by Li (2017) as the "promotion by invitation", which can also lead to a change in the position within the system. This phenomenon is described as being the upward mobility path enjoyed by a peripheral or semiperipheral state "whose geopolitical position is vital during the period of global power struggles, or whose internal condition is favorable to global capital mobility and production relocation." (Li 2017:w.p.). In other words, based on the geopolitical and economic interests of the hegemon or other core states, promotion by invitation creates a favorable environment for peripheral and semiperipheral states and helps with their upward mobility (ibid.).
Still, even if changes within the world-system take place, capitalism always needs a periphery in order for the core countries to keep their beneficial positioning, as well as a high level of consumption and security (Pal 2017:45). Pal (ibid.) therefore concludes that dependent and unequal relations are essential to capitalism and cannot be reduced significantly. The changes in position do not have any consequences for the system itself: "For Wallerstein, the nature of the system remains fundamentally intact, with a hierarchy of cores, semi-peripheries, and peripheries that interact in an unequal exchange system" (Paquin 2021:141). At the same time, however, due to the structural characteristics of the hegemonic economy and its political system, a change in hegemon can affect the way that the system operates (Stallings 2020:27). That's why, in the case of China becoming a core country, Li (2017:w.p.) talks about the possibility of an emerging "Sinicized" capitalist world order, or a world order "with Chinese characteristics".[2] It would only have "Chinese characteristics", while the world-system itself would remain a capitalist one. This is the key point of the world-systems theory: Even if countries move upwards toward the core, they will still need the periphery and semiperiphery in order to upkeep their power (Li 2017). This is how the capitalist world-economy is maintained. Li writes: "However, in line with the world system theory's interpretation, even if the future world order were to be injected with Chinese characteristic, it would simply be a reflection and extension of China's internal economic, political and cultural structures without altering the core architecture of the world capitalist system." (Li 2017:w.p.).

[2] According to Li (2016:19), "the Chinese style of market economy is a distinct form of capitalism characterized by active state roles and close state-business relations". Another "Chinese characteristic" is the growing importance of the Chinese yuan (Li 2017).
See also Stallings (2020:31): "Deng set China on a new path that combined Communist Party rule with economic reforms and opening, creating a socialist market economy ("socialism with Chinese characteristics")"

The changes in positions as well as the unequal exchange can, however, lead to tensions in the system. According to Paquin (2021:141), these tensions are eased thanks to the presence of a hegemon in the core that possesses a great deal of power due to its military and economic superiority and that can thus impose norms and institutions that are beneficial for the core. In the 20th century, that hegemonic power was the United States (ibid).

The tensions are also eased thanks to the semiperiphery that gives relative stability to the system because it serves as a buffer zone between the periphery and core. This way, the core does not exploit a unified front of peripheral countries (Paquin 2021:141).

As Li (2017) explains, the capitalist world-system is embedded in so-called cyclical rhythms, defined as economic prosperity or crisis as well as upward and downward mobility. Such cyclical rhythms are followed by the downfall of hegemons and the rise of new powers (ibid.). Singh (2020) points out that cyclical changes in hegemonic powers do not change the fact that core-periphery exploitation is always being reproduced in the capitalist world-economy.

2.3 Synthesis

Politico-economic relations between countries cannot be analyzed without taking into account the system within which they form and take place. The dependency theory and the world-systems theory offer lenses which help me understand the politico-economic dynamics between China and Peru. The theorists have each focused on different aspects of trade, investment, and dependency dynamics and therefore each offer useful categories and explanatory factors for the topic of my thesis.

In the following chart, I demonstrate how the explanatory factors by the different theorists can be applied to analyze and explain the politico-economic relations between China and Peru.

Theory	Author	Explanatory factors/Categories	What can I explain with this?
Dependency Theory	Singer	investment dependency: lack of diversification	I can analyze to what extent foreign direct investments from China to Peru have created dependency dynamics and how they have impacted the diversification of Peru's economy.
	Hirschman	trade dependency: trade volume, dual dependency, market alternatives	Hirschman's theory can be applied to analyze and test the Sino-Peruvian trade dependencies. The analytical factors of trade volume and market alternatives give me criteria with which I can measure the degree to which Peru is dependent on trade with China and vice versa. I can also use his theory to see whether trade with China also leads to Peru becoming dependent on the export of minerals, resulting in a dual dependency.
World-systems theory	Wallerstein	periphery, semiperiphery, core	With these categories, I can categorize the countries and position them within the world-system. I can explain how China and Peru's relations as semiperipheral and peripheral states influence and challenge the current hegemonic positions of core countries in the world system. The three categories are also a tool to make sense of the interrelationships between countries and to understand why

			power dynamics and relations of dependency exist.
	Wallerstein/Li	upward and downward mobility	These categories help me understand and analyze the dynamics and the changes that take place within the world system, such as the rise or downfall of hegemonic states and the emergence of new global powers. I can analyze how the geopolitical impacts of China's rising demand for minerals in Peru manifest themselves within the world-system and thus, how countries can change their position in this system.
	Li	Promotion by invitation	With the category of "promotion by invitation", I can analyze how China and Peru's South-South cooperation can change Peru's positioning from peripheral to semiperipheral state and China's positioning from semiperipheral to core state in the world economy.

3. Methodology and methods

The research of my thesis was based on qualitative-interpretative research. The method I predominantly used was the qualitative content analysis. With this method, I analyzed official documents and secondary sources. Another kind of content analysis was also applied: the quantitative content analysis, which I used on numerical data such as statistics.

Combining these two types of content analysis let me understand my topic in depth because qualitative findings were supported or supplemented with quantitative findings.

I primarily used qualitative content analysis while “the quantitative component [took] on a secondary role by assisting the qualitative part” (Hesse-Biber 2022:618). I did not generate new data myself but used the methods on data that had already been published by other sources.

Qualitative content analysis is a method used to analyze and interpret data. This is done by categorizing the material according to a coding frame. The research question determines the angle from which the data is examined (Schreier 2012:4). The qualitative content analysis has the advantage of being flexible: “If other important aspects strike you during the analysis, you can change your coding frame and include these as well” (ibid.). According to Schreier (2012:6), there are eight main steps to follow: (1) a research question must be decided upon, (2) material should be sorted out, (3) a coding frame should be built, (4) the material should be divided into units of coding, (5) the coding frame should be tried out in order to (6) evaluate and modify it. Finally, (7) the analysis takes place and (8) the results are interpreted and presented.

In my thesis, I analyzed the Sino-Peruvian politico-economic relations by relying on official data and documents. Using qualitative content analysis on documents such as the Free Trade Agreement or the Bilateral Investment Treaty allowed me to analyze how and what things in the Chinese-Peruvian relations have changed and why. Quantitative content analysis was used to analyze investment and trade dynamics over time.

Documents and data I used include statistics and other numerical data, official documents such as trade agreements, treaties, and hearings, among others. These have been published on websites such as UN Comtrade, the World Bank, the China-CELAC forum, the websites of Peru’s and China’s foreign ministries, and others.

I also analyzed news articles on websites such as dialogochino.net. or articles published by think tanks like the *Council on Foreign Relations* (cfr.org).

For my research, the biggest advantage of the qualitative content analysis was that it could be applied to many different kinds of data. With this method, I could analyze official documents, texts, hearings, news articles and more. It had the advantage that I could compare documents and see whether and how they have changed over time. Applying it to documents from international institutions, embassies or governments enabled me to find out and understand why certain people or governments have acted in a specific way, why laws and regulations have changed, and – for my research the most important question – why and how relations between countries have changed. However, not only the content of the documents was of importance. The context and the producers needed to be taken into account as well. Ritsert defines qualitative content analysis as "a research tool to analyze the 'societal' and 'ideological' content of texts" (Ritsert 1972:9, translated from German). Since the context can impact the way that a document is interpreted, it is important to know the context in which the document was created and which parties were involved.

As already mentioned, I also made use of the quantitative content analysis method to analyze numerical data such as statistics which have for the most part been published on platforms such as UN Comtrade, the Observatory for Economic Complexity (OEC), and others. This was necessary for the analysis of FDI flows or changes in trade relations, among others.

4. China-Peru relations: Beginnings of the diplomatic relations

In this part of the thesis, I'm giving an overview of the beginnings of the diplomatic relations between China and Peru, as well as of the reasons why China needs minerals and thus sees Peru as an important provider of those. This part of the thesis is important because it allows me to explain phenomena and terms that will be of importance in the analytical part of the thesis, such as the one-China principle.

China and Peru's diplomatic relations began in 1971 when Peru recognized the one-China principle (cf. Ministry of Foreign Affairs of the PRC 2022). The one-China principle is the idea that there exists only one China and that Taiwan is part of this China and cannot be independent of it. The Mission of the People's Republic of China to the European Union (2022:w.p.) explains that one-China stands for the belief that "there is but one China in the world […], the Government of the People's Republic of China is the only legal government representing the whole of China". It further states: "Any attempt to unilaterally add preconditions and provisos to the one-China principle, to distort, fudge and hollow out the one-China principle is illegal, null and void." (Mission of the People's Republic of China to the European Union 2022:w.p.). As we are going to see in the analytical part of the thesis, the one-China principle is of great importance for any country to establish deeper relations with China. Peru has built its diplomatic relations with China since the 1970s, and still today the one-China principle is often mentioned in meetings between Chinese and Peruvian politicians and diplomats (e.g. Embassy of the PRC in Peru 2022, Ministry of Foreign Affairs of the PRC 2018, 2021).

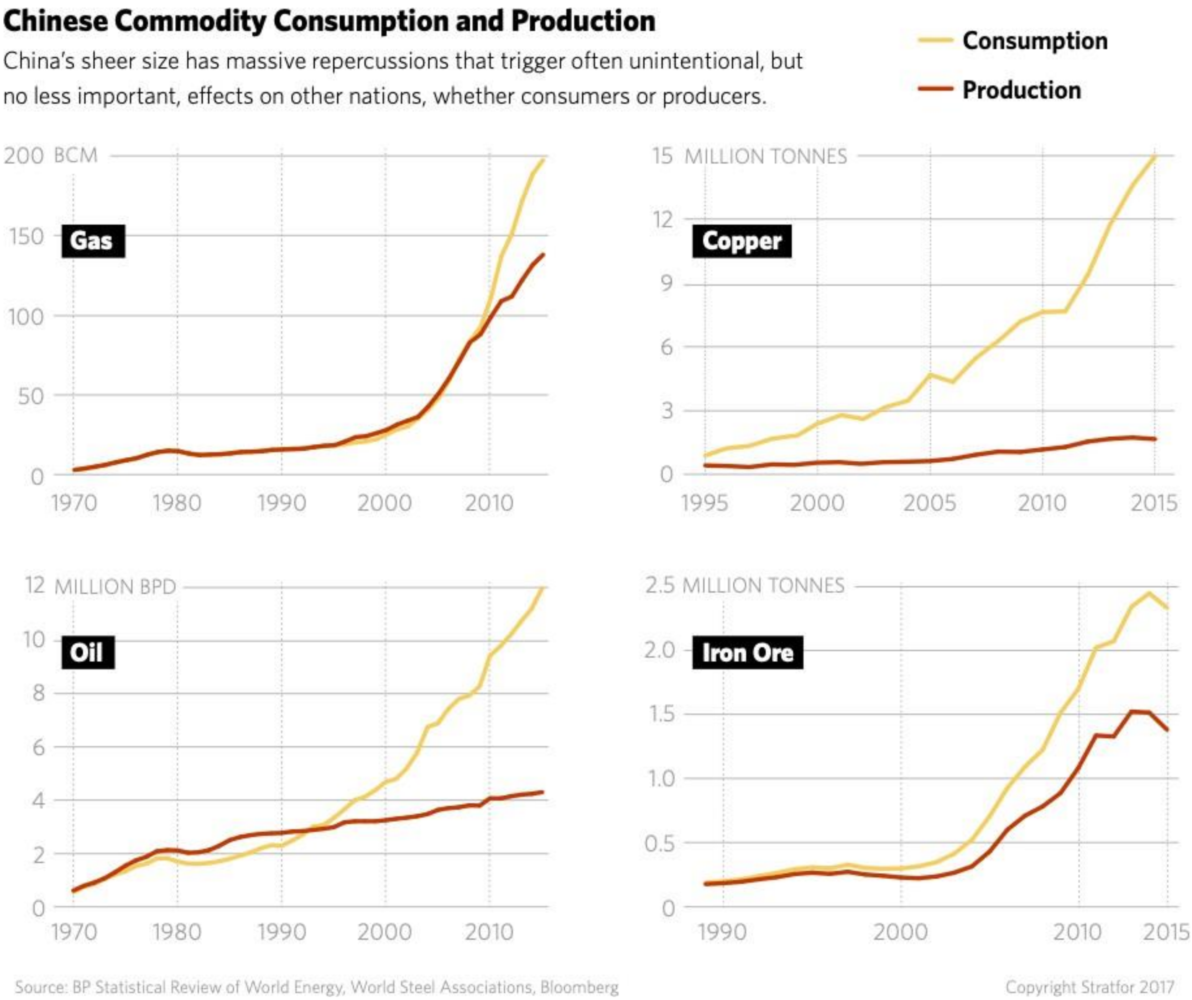
In 2021, in a meeting between the Chinese and the Peruvian foreign Ministers, it was stated: "When the two countries first established diplomatic relations, Peru explicitly stated that the People's Republic of China is the only legitimate government representing the whole of China, and it will continue firmly pursuing the one-China policy." (Ministry of Foreign Affairs of the PRC 2021:w.p.).

The one-China principle is important for the politico-economic relations between both countries insofar that it made the establishment of these relations possible in the first place.

As we are going to see in the analytical part of the thesis, it also plays an important part in the geopolitical domains, not only for Peru but for the entire Latin American region.

Peru was among the first Latin American countries to establish diplomatic ties with China. For China, Peru was interesting because of its wealth of natural resources. China also considered Peru as a "gateway" into other South American countries that have raw materials that China needs (globalsecurity.org 2023). China's demand for minerals has been growing since the 1990s due to its rapid industrialization and urbanization. In the 1990s, China's demand for minerals was ten to fifteen percent of the global demand. Twenty years later, it accounted for up to 50 percent (Humphreys 2018:103).

China itself is a large provider of minerals. In fact, for various minerals, such as gold, zinc, lead, tin and molybdenum, it is the largest producer worldwide. For copper and silver, it is placed third and second (Ministry of Energy and Mines of Peru 2020:52). However, its own supply is not enough to cover the value of its increasing consumption. The following graph by Stratfor (2017:17) shows the increasing consumption and the lack of production of gas, copper, oil, and iron ore. These raw materials are therefore an important export good from Peru to China.



Source: Graph created by Stratfor (2017:17) based on BP Statistical Review of World Energy, World Steel Associations, Bloomberg
https://www.stratfor.com/sites/default/files/geopolitics-of-china-stratfor-report.pdf

China's plans for further urbanization, a rising middle class and increased manufacturing of high-value products means that overall consumption will inevitably rise in the future (Congressional Research Service 2015:6). Especially under its "go global" policy, also called "go out" policy, China has been pursuing the supply of minerals and other raw materials from all over the world (ibid:8). This policy had the goal to encourage Chinese firms to invest abroad. Many firms thus started to invest in the mineral sectors in other countries. The policy was introduced at the end of the 1990s.

Around the same time, new laws were introduced in Peru that would facilitate foreign direct investments and help attract new investors in its mining sector.

This was the time in which China's increasing interest in the Peruvian mining sector began. The two countries started signing treaties and agreements to start greater trade and investment cooperation in this area, which resulted in a deepening of their politico-economic relations. The following chapter will explain these developments further.

5. Developments in the politico-economic relations between China and Peru since the 1990s

5.1 Peru's mining sector and China's first interests

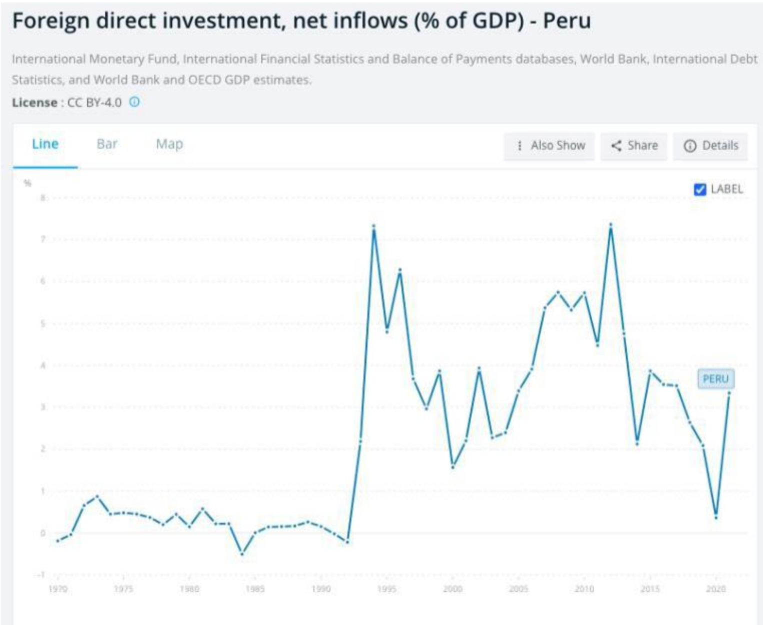
In the 1990s, Peru introduced some changes that would be beneficial for international trade and investments in, especially but not limited to, the mining sector. After experimenting with the nationalization of private enterprise, Peru turned to privatization with the hopes of attracting more domestic and foreign investors (Champion 2001:517/Gurmendi 1997:1). Since the liberalization of the mining sector in the 1990s, local and foreign investments – increasingly coming from China – have helped to develop major new mines (EY & Ministry of Foreign Affairs of Peru 2017/2018:26). According to Gurmendi (1997:1), these openings were responsible for the expansion of multiple sectors, such as the communications sector, the mining sector, oil and gas and transportation activities. Mineral production started to increase dramatically. In 1997, mining export revenues represented 40 percent of Peru's total export earnings (Gurmendi 1997:1).

One of the changes that led to these developments and helped attract foreign direct investments was the law for foreign direct investments (decree nr. 662) which was introduced in 1991. It was signed by Alberto Fujimori, former president of Peru, by Carlos Torres y Torres Lara, former president of the council of ministries and Minister of foreign relations, and Carlos Bolona Behr, former Minister of economy and finance. The law for foreign direct investments guarantees certain benefits for foreign investors. The goal of this law is to remove obstacles and restrictions on foreign investments. It wants to guarantee that foreign and national investors have the same rights and duties, and wants to create a profitable climate for foreign investments, "which contribute to the expansion of the economy and to free enterprise in the country" (Government of Peru 1991:2, translated from Spanish). Foreign investments are seen as vital for the development of the country and for the economic dynamics (ibid).

The law promotes and guarantees foreign investors access to all sectors allowed by national legislation. According to article six, foreign investors also have the right to trade and take part in economic activities, and the right to import and export (ibid.:3). They benefit from stability of the tax system and from the stability of the right to non-discrimination.

Another law was introduced one year later: the law for the promotion of investments in the mining sector (decree 708). The goal of this law was to attract new investments in the Peruvian minerals sector, since the promotion of investments in this sector was “declared to be in the national interest.” (Government of Peru 1992:1, translated from Spanish). It was signed by Fujimori and by the former Minister of energy and mines, Bernardo Sanchez Albavera. Similar to the general law for the promotion of investments, it grants benefits to investors interested in the mining sector, such as tax, foreign exchange and administrative stability, non-discrimination in foreign exchange matters, among others (ibid.:1-2).

Considering the following graph, it can easily be seen that the new laws were successful. While the inflow of foreign direct investment was rather low and stable before 1990, it quickly increased from the 1990s onwards, with a high in 1994 and 2012.



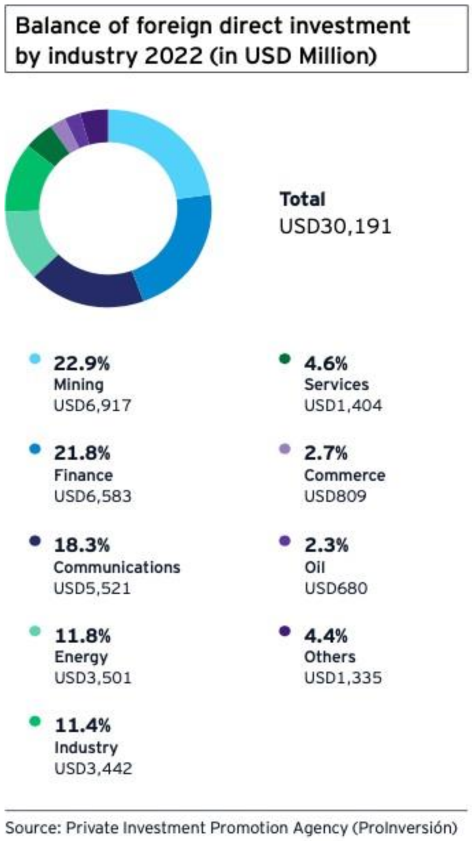
Source: World Bank (2023)

https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2021&locations=PE&start=1970

Looking at another FDI statistic by ProInversion (2022), it can be seen that the Peruvian mining sector has had the fastest growth in FDI among all sectors, especially since the 1990s: In 1990, global FDI for the mining industry was of 428 million US dollar, in 1993 it was of 565 millions, and in 1994 it was of 875 millions. From 1995 onwards, it surpassed one billion U.S. dollars, in 2004 it surpassed 2 billion, and in 2010 five billion. This shows that many countries took the opportunities given by the newly introduced laws and started investing more in the Peruvian mining sector. The mining industry has become Peru's most invested-in sector, as the graph on the right shows.

The export of minerals has also been growing. In 2014, minerals took up 55,2% of Peru's total exports. In 2021, it was of 63,9% (EY & Ministry of Foreign Affairs of Peru 2014/2015:11 and 2023/2024:8.)

Therefore, the mining sector is of great importance for Peru's GDP. In 2021, mining production came to represent 14,4% of the GDP (ibid. 2021:32).



Source: EY & Ministry of Foreign Affairs of Peru (2023/2024:31)

The Peruvian mining sector is interesting for China due to China's increasing need for minerals. That's why Chinese companies quickly started to make use of the newly introduced laws. The Chinese conglomerate Shougang acquired an iron mine in 1992.

Shougang Hierro Peru thus became China's first major investment project in Latin America and even one of the first ones outside of China (Irwin & Gallagher 2013:209).

In this sense, the law for foreign direct investments and the law for the promotion of investments in the mining sector can be considered to have been the starting points of China's interest in the Peruvian minerals sector. After this, the politico-economic partnership of China and Peru developed quickly, with a bilateral investment treaty signed between both parties in 1994, only two years after China's first big investment.

In the 21st century, China has become Peru's largest trade partner, with mineral products being the largest export goods. In 2020, 54,6% of Peru's total mineral exports were exported to China (OEC 2023). Copper ore is the most important mineral product that Peru exports to China as well as its most important export product to China in general. In 2021, 70,6% of Peru's copper ore exports were sold to its largest trade partner (ibid.).

These developments later were further promoted through even more treaties and agreements such as the free trade agreement and, the most recent one, the memorandum of understanding of the Belt and Road Initiative. These three documents are portrayed in this chapter, with the greatest attention given to the Belt and Road Initiative since this is the latest and largest development in recent years.

5.1.1 The Bilateral Investment Treaty

The Bilateral Investment Treaty (BIT) was signed between the Government of the Republic of Peru and the Government of the People's Republic of China in 1994 and came into force in 1995.

The treaty was intended to create beneficial conditions for investors of both parties, with the goal of "stimulating business initiative of the investors and [increasing] prosperity in both States, desiring to intensify the economic cooperation of both States on the basis of equality and mutual benefits." (Government of Peru and Government of the People's Republic of China 1994:1). Investments are defined as "every kind of asset invested by investors of one Contracting Party in accordance with the laws and regulations of the other Contracting Party in the territory of the latter" (ibid.:2). This includes concessions to search for or exploit natural resources, shares, stock and any other kind of participation in companies, among others. Investors are explained to be persons who have the nationality of either of the two countries, as well as companies and economic associations (ibid.).

The treaty wants each contracting state to encourage investors from the other contracting state to come to its territory and make investments. This shall be made easier by the contracting parties helping with the obtaining of visa and working permit. The investors should also be accorded fair treatment and should enjoy protection in the other territory (ibid.:3).

What's more, investors who suffer losses in the case of unforeseeable events such as wars, insurrections or national emergencies are protected.

These beneficial terms of the Bilateral Investment Treaty as well as the ones from the general investment law seem to have been attractive to many Chinese investors: A look at investment statistics reveals that Chinese investments increased from 23 million U.S. dollars in 1990, to 141 million in 1992. Then, when the BTI came into effect, they increased again up to 145 in 1995 (ProInversion 2022). Unfortunately, due to a lack of data before the year of 2000, it was not possible to find out how much of these investments went to Peru's mining sector. It can however be said that China started making big investments in the mining industry. Peru became one of the first Latin American countries in which Chinese mining and petroleum companies started to set up operations (Ellis 2022). Examples of this are CNPC, Zijin, Minmetals and many others that started their operations from 1994 onwards (Creutzfeldt 2016:609).

However, even though the BTI certainly helped attract Chinese investments, it was not until 2007 (170 million), 2012 (231 million), and lastly 2020 (666 million) that Chinese investments in Peru truly boomed (ProInversion 2022). In 2021, they passed one billion U.S. dollars (ibid.). Sanborn and Yong (2013:26) argue that this could have been the effect of the Chinese "Go Out Policy", which was introduced to encourage investing abroad and which took effect in Latin America in the mid-2000s.

It was around that time that China really started to develop an interest in investing in Peru's mining sector and lately also in its infrastructure sector. Some of the most active Chinese mining companies or companies with Chinese assets in Peru today are Chinalco, MMG Limited, Shougang Corporation, Junefield S.A, Jinzhao Mining S.A, Lumina Copper S.A.C and Rio Blanco Copper S.A., Minmetals, Jiangxi Copper, Aluminium Corp of China, and Zijin Mining Group (EY & Ministry of Foreign Affairs of Peru 2019/2020: 33 & 41).

The Bilateral Investment Treaty was of importance for the development of the politico-economic relations between China and Peru because it was among the first treaties signed between both countries. It paved the way for further cooperation and greater Chinese engagement in the Peruvian mining sector.

5.1.2 The Free Trade Agreement and its upgrading

The Free Trade Agreement (FTA) is the most important document for China and Peru's trade relations. It was signed by Yi Xiaozhun, the former Vice Minister of Commerce of China, and by the former Minister of Foreign Trade and Tourism of Peru, Mercedes Araoz. It was signed in April 2009 and came into effect in 2010 (Ministry of Foreign Commerce and Tourism of Peru 2023).

It is the first comprehensive free trade agreement that China has signed with a Latin American country and it was seen as "a new landmark in the bilateral relations" which "will further strengthen the traditional friendship between the two countries and deepen the economic and trade cooperation" (Ministry of Commerce of the People's Republic of China 2023:w.p.).

Through the implementation of beneficial trade rules, the FTA aims to raise the standard of living in both countries, to reduce poverty and to create new job opportunities. It also wants to promote sustainable development, environmental protection and conservation (Government of Peru and Government of the People's Republic of China 2009:4). Trade barriers, distortions to the reciprocal trade and unjustified discrimination are to be avoided through the FTA (ibid). The Free Trade Agreement is divided into seventeen chapters which deal with different rules for trade between both countries such as "rules of origin", "transparency", "dispute settlement" and more. The FTA motivated the Peruvians and the Chinese to look at the other countries to seek business opportunities. Due to the chapter "Tariff elimination", the agreement allows up to nearly 84% of Peruvian exports to enter China without any tariffs (ibid.:9 / Sanborn & Yong 2013:16). The agreement also gives protection to Peruvian products that are most vulnerable to Chinese competition, like textiles, of which 56% are not included in the tariff elimination scheme (Sanborn & Yong 2013:16).

Trade between China and Peru has benefited from these advantages and protections: as the Ministry for Commerce and Tourism of Peru (2023:w.p.) stated, since the FTA came into effect, "the value of Peruvian exports to China grew at an annual average of 13,5 %" (translated from Spanish). As we are going to see in the analytical part of the thesis, the FTA also helped stimulate exports from Peru's mining sector.

Since 2019, China and Peru have been in the process of negotiating an optimization of the FTA. Luis Quesada, the Peruvian ambassador to China, stated in an interview with Diaologo Chino that the FTA is becoming obsolete and that it needs to be reinvigorated (Dialogo Chino 2022). The governments of China and Peru want to modernize chapters such as rules of origin, intellectual property, customs procedures and trade facilitation, investment and trade in services. What's more, some new chapters are being planned to include, such as e-commerce and competition policies (Ministry of Foreign Commerce and Tourism of Peru 2023).

What exactly these changes should look like is not clear yet since the upgrading is still in its making. The first round of negotiation took place in Beijing in April of 2019, exactly nine years after the original FTA was signed. Two more rounds took place in Lima and again in Beijing in June and August of 2019. The last round took place in September of 2019 in Lima (ibid.). Then, negotiations had to be postponed due to Covid-19 (Dialogo Chino 2022).

In 2020, in the context of the optimization of the FTA, the *Amazon Indigenous Platform for Monitoring Chinese Investments in Peru* published a proposal letter in which they asked for the incorporation of an environmental chapter in the FTA, "in recognition that the complex environmental and social reality of Peru requires strengthening the framework for promoting sustainable development and investment governance." (Amazon Indigenous Platform for Monitoring Chinese Investments in Peru 2020:w.p.). The four organizations of the platform name eleven points they would want to be incorporated into the optimized FTA. Some of these points include (1) the reaffirmation of the compliance and the enforcement of multilateral environmental agreements that were signed by both parties, (2) specifying that the parties need to preserve Indigenous knowledge and respect conventions such as the Convention on Biological Diversity, (3) cooperation on issues concerning the environment and the climate, (4) protecting environmental defenders and respecting human rights, especially the rights of Indigenous peoples such as their right to participate and their right to free and prior consultation (Amazon Indigenous Platform for Monitoring Chinese Investments in Peru 2020:w.p.).

The reason why this letter was drafted is because Chinese-funded activities such as mining are often located within or bordering Indigenous territories and high biodiversity areas. The organization *Derecho, Ambiente y Recursos Naturales*[3] sees the incorporation of an environmental chapter into the FTA as important because China is Peru's main trading partner and "has an accumulated direct investment of US$ 19567 millions in our country between 2006-2018, of which 80% are related to mining and hydrocarbon sectors." (DAR 2020:w.p.). This leads to social conflicts especially around, but not limited to, the Las Bambas copper mine (e.g. Fundacion Andres Bello 2022, Diaologo Chino 2022). It would also make sense to include such a chapter because Peru has ratified the ILO169 convention in 1994, which among other gives Indigenous peoples and tribes the right to free and informed consent on major projects happening in their territories (ILO 1989).

However, up until today, no such point has been included in the upgrading procedures of the FTA yet. Peruvian politicians tend to side with the Chinese investors. For example, the Peruvian ambassador to China, Luis Quesada, said in an interview with Dialogo Chino (2022:w.p.): "Regarding Las Bambas, social conflicts are not exclusive to Peru. China has many investments in Africa, where it has seen similar conflicts. And from our side, we are going to do everything we can to help the investor. In the same vein, I hope that we can soon have lasting social peace in the area." Peru's politicians and diplomats siding with China also has to do with the pressure that they face of China possibly retreating from the country. The Chinese ambassador Liang Yu, for example, warned that if the social conflicts around the mines continue, Chinese companies could withdraw their operations from Peru (Peru21 2022).

[3] English: rights, environment and natural resources

What the upgradings will finally look like is still unclear since they are still in the process of being optimized.

5.1.3 Joint Action Plans between China and Peru and China-CELAC

Other documents that were among others led by China's interest in the Peruvian mining sector and that were of importance for their politico-economic relations were two joint action plans: The Joint Action Plan of 2016-2021 signed between China and Peru, and the Joint Action Plan of 2022-2024, signed between China and CELAC, also called the China-CELAC Forum.

The Joint Action Plan of 2016-2021 was signed in 2016 by the Chinese foreign Minister Wang Yi and the Peruvian foreign Minister Ricardo Luna Mendoza.
It had as a goal, among other, to enhance the FTA and support industrial areas as well as reinforce the Peruvian mining sector (Andina 2016). It also stated that both sides want to continue to deepen dialogues and exchanges in foreign policies, advance the formation of the China-CELAC Forum and will "on the basis of equality and mutual benefit, carry out cooperation in economy and trade, investment, production capacity, infrastructure and other areas" (Ministry of Foreign Affairs of the PRC 2016:w.p.). Cooperation in areas such as agriculture, transportation, culture, education, environmental protection and others should be deepened (ibid.). The two heads of state, Xi Jinping and, at that time, Pedro Pablo Kuczynski, agreed that they want to speed up economic and trade cooperation and want to "continue giving full play to traditional engines such as mining industry, energy and infrastructure construction" and explore new points of cooperation such as environmental protection and clean energy (Embassy of the PRC in the Republic of the Philippines 2016:w.p.). The Chinese president also stated that China is willing to work with Peru to promote better and faster development of the China-Peru relations, while the Peruvian president stated that Peru is ready to work with China to promote the upgrading of the FTA and to welcome Chinese companies to increase investments in the mineral, energy, transportation, infrastructure and hydroelectricity sectors as well as other sectors and to participate in the connectivity construction in Peru (ibid).

Peru and China signed another Joint Action Plan in 2021 in connection with the CELAC Forum.
China joined CELAC (Community of Latin American and Caribbean States) in 2018 to form the China-CELAC Forum. This forum was formed because the relations and cooperation

between China and many of its Latin American partner countries were developing rapidly in the new century (China-CELAC Forum 2018). China and Latin American countries see each other as important cooperation partners and countries of the LAC see their relations with China as an opportunity for their development (ibid.). The goal of the China-CELAC Forum is to promote the cooperation and partnership between China and Latin American countries, based on the principles of equality, mutual benefit and common development (ibid.). The Forum includes China and thirty-three CELAC members, such as Peru, Brazil, Bolivia, Chile, Cuba and many others.

In 2021, China and CELAC agreed to adopt the China-CELAC Joint Action Plan for Cooperation in Key Areas (2022-2024). It contains seven chapters: (1) "Political and Security Cooperation", (2) "Pragmatic Economic Cooperation", (3) "High-Quality Infrastructure Cooperation", (4) "Cooperation in Social, Cultural and People-to-People Matters", (5) "Sustainable Development", (6) "International Affairs and Subregional and interregional Cooperation" and lastly (7) "Implementation" (China-CELAC Forum 2021:w.p.). For the politico-economic relations between China and Peru, the second chapter is the most important one because it covers the topics of trade and investment, finance, energy and resources and others. Similar to the FTA, this chapter aims to facilitate investment, optimize the trade environment and to strengthen the cooperation between the parties' industries in fields such as sustainable development (China-CELAC Forum 2021). It also aims to deepen cooperation in the fields of raw materials, to "strengthen communication and exchange of public policies in the energy industry and its resources [...], work toward a deepen cooperation in the fields of electricity, oil, gas, renewable energies, [...], geological and energy mining resources" as well as improve the mining investment environment (China-CELAC Forum 2021:w.p.). China-CELAC also wants to promote cooperation regarding the exploration of mineral resources and regarding the technical capacities "through academic exchanges to promote the research and development of technologies and methods in the mining sector." (ibid.). Cooperation in other important fields such as tourism, e-commerce, culture, arts and sports is also mentioned in this agreement.

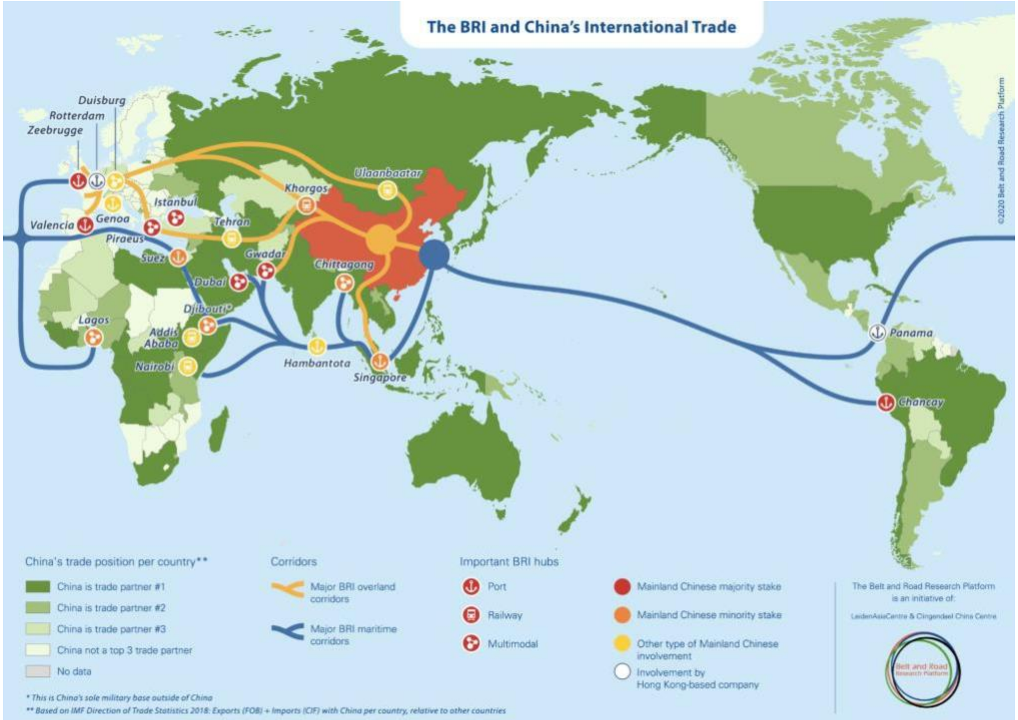
5.1.4 The Belt and Road Initiative

In April 2019, Peru officially joined China's presently largest project: The Belt and Road Initiative (Government of Peru 2019). The Belt and Road Initiative (BRI) was officially launched in 2013 by the Chinese Government. It is an infrastructure development strategy for which China is investing in infrastructure megaprojects in the member countries of the BRI. These megaprojects aim to connect trade logistic chains and facilitate trade, among others. According to the *Belt and Road Ecological and Environmental Cooperation Plan*, published on the Belt and Road Portal in 2017, the BRI "aims to promote economic prosperity of countries along the routes and regional economic cooperation, strengthen exchange and mutual learning among different civilizations, and contribute to world peace and development." (Belt and Road Portal 2017:w.p.).

As of March 2022, 147 countries in the entire world have signed the memorandum and have thus officially joined the BRI (Green Finance and Development Center 2022). The project has five main cooperation priorities: "policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds" (Belt and Road Forum for International Cooperation 2017:w.p.). In Latin America, 21 countries have joined the BRI as of 2022, with Panama being the first one in 2017 and Peru joining two years later (Green Finance and Development Center 2022).

According to various sources (e.g. Malkawi 2020, Garver 2021, Duesterberg 2022), it is quite obvious that China uses the Belt and Road Initiative as a means to secure its access to natural resources. Duesterberg (2022) argues that the primary goal of the BRI is the facilitation of export and import through the creation of new sea and land routes. The second goal, he argues, is to gain access to raw materials and agricultural commodities that China needs to build its modern economy. The Organisation for Economic Cooperation and Development (OECD 2018:10) argues similarly and writes that the focus on connectivity within the BRI is about facilitating trade and investment as well as about China "strategically shoring up its own security of energy, resources and food by taking a regional leadership role with its most important neighbors". As this article was written with a focus on Asia, the authors refer to China's neighboring countries, which were the initial targets of the BRI. Now in 2023 however, we see that the BRI has expanded to other continents as well. The focus on trade facilitation, the securing of natural resources and China's "leadership role" is not limited to China's neighboring countries, but seems to be the same in other places, especially in Africa and South America, as Duesterberg (2022) claims. This leadership role stems from China having great control over the projects in its BRI partner countries.

The following map visualizes the new corridors that are being created through infrastructure megaprojects such as the Chancay Port in Peru, for example. The map does not visualize the many but smaller infrastructure projects that are being conceived in the various BRI countries, such as the expansion of mining areas and others.



Source: The Belt and Road Research Platform (2023)

https://www.beltroadresearch.com/the-bri-and-chinas-international-trade-map/

In Latin America, the first completed project that was part of the BRI was the Shougang Hierro Peru 10-million-ton Concentrate Expansion Project in Peru (Shougang Group 2018). The production of the China-owned iron mine has increased drastically: from not even three million tons in 1992 to nearly twenty million tons at present (Shougang Group 2023). This project being one of the first ones conceived, and the first one completed as part of the Belt and Road Initiative in Latin America shows the importance that China sees in the mining sector. For Peru being one of the most mineralized countries in the world, the BRI is considered to be a great opportunity for the development of its economy. Peru sees China's development as an exemplary model that it wants to follow (cf. Ministry of Foreign Affairs of the PRC 2018).

The complete text of the *Action Plan on the Belt and Road Initiative* was "issued by the National Development and Reform Commission, the Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China […]." (National Development and Reform Commission, Ministry of Foreign Affairs et al. 2015:w.p.). It was published in 2015 on different platforms of the Chinese government. As already mentioned, this action plan has five main cooperation priorities: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bond. In the priority section of "unimpeded trade", it is mentioned that China and the countries along the Belt and Road should expand mutual investment areas and deepen cooperation in various sectors, one of them being the raw materials sector: “We should increase cooperation in the exploration and development of coal, oil, gas, metal minerals and other conventional energy sources”, and further, “promote cooperation in the processing and conversion of energy and resources at or near places where they are exploited, so as to create an integrated industrial chain of energy and resource cooperation. We should enhance cooperation in deep-processing technology, equipment and engineering services in the fields of energy and resources.”. (National Development and Reform Commission, Ministry of Foreign Affairs et al. 2015:w.p.). The first priority also promotes foreign investments in China and Chinese investments in other countries along the Belt and Road. This priority of the BRI is the most important one for the mining sector in Peru and for the politico-economic relations between China and Peru because it is focused on trade and investment relations. The second priority “policy coordination” focuses on intergovernmental cooperation, not only between China and the BRI countries but also among different BRI participant countries themselves. This priority aims to “promote intergovernmental cooperation, build a multi-level intergovernmental macro policy exchange and communication mechanism, expand shared interests, enhance political trust, and reach new cooperation consensus” (National Development and Reform Commission, Ministry of Foreign Affairs et al. 2015:w.p.). It further states that countries along the Belt and Road may coordinate their economic development strategies and policies and work out plans for regional cooperation (ibid.). This is of great interest to the different BRI countries on the same continent or in the same region, such as Latin America. The BRI could this way be an impetus for Latin American countries to enhance their cooperation and provide support for the implementation or upgrading of coordination and cooperation-related policies such as trade policies. This would be considered South-South cooperation, which I will explain at the end of this chapter. The third priority, “facilities connectivity”, aims to form an infrastructure network for better connectivity between the countries along the Belt and Road. The infrastructure of the BRI countries should be improved with the construction of new roads, bridges, ports, and other. This should happen “on the basis of respecting each other’s sovereignty and security concerns” and at the same time, the new infrastructure projects should “promote green and low-carbon” construction (National Development and Reform Commission, Ministry of Foreign Affairs et al. 2015:w.p.). With a focus on deepening financial cooperation, the priority of “financial integration” is also of politico-economic importance for China and its BRI participating countries. This section however focuses almost exclusively on China and its Asian neighboring countries as well as Chinese financial institutions such as the Asian Infrastructure Investment Bank, of which Peru is part. The last priority, “people-to-people bond” has a more social focus. It promotes “cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services, so as to win public support for deepening bilateral and multilateral cooperation" (National Development and Reform Commission, Ministry of Foreign Affairs et al. 2015:w.p.).

Since the BRI is a global infrastructure project, much of the Chinese investments in Peru now go to the infrastructure sector and includes megaprojects like the port of Chancay and smaller projects such as railways and roads (cf. Caceres Solis 2022:6, cf. Estrada Terrones 2022:2). Such projects create new trade routes and are of great importance for China and Peru: For China, the new port will allow the exit of raw materials in a more fluid way and it will reduce costs by centralizing larger loads on large-capacity vessels (Caceres Solis 2022:6). For Peru, the port is beneficial because the geographical position of the Latin American country facilitates the entry and distribution of Chinese products (ibid.). Such large projects also have the potential to boost Peru's national tourism, encourage agribusiness and strengthen its industrial development (Estrada Terrones 2022:4). Like the Chinese ambassador to Peru, Song Yang, said in a speech for the China-CELAC Forum, infrastructure projects like the Chancay Port and others serve long-term development interests of Peru (Song & CELAC 2022).

All of these points show how China's interest in different commodities, most especially oil, gas and minerals, and its efforts to secure them, is being taken to a new and extended level through the BRI. As Myers puts it: "China continues its quest for raw materials, export markets, and investment opportunity for Chinese companies, but now with the BRI as an overarching framework." (Myers, House of Representatives 2019:13). With its priorities, the BRI can lead to an increase in trade and investments. Through the promotion of deeper cooperation in the financial sector as well as through the coordination of policies, the BRI has effects on the politico-economic relations between China and Peru. The BRI does not only strengthen the politico-economic cooperation, but also the diplomatic and social relations between its participating countries and China.

However, the BRI also has some geopolitical impacts and countries like the United States view these developments critically. This will be explained in the analysis, the main part of my thesis.

5.2 China and Peru: South-South cooperation

In this last part of the contextual chapter, I am going to focus on the South-South cooperation between China and Peru, since this will also be portrayed in the analytical part of my thesis.
China and Peru's cooperation can be considered to be South-South cooperation since both countries are part of the "Global South". This expression is used to refer to "underdeveloped" and "developing" countries while the "Global North" stands for developed countries such as the United States or South Korea (Finance Center for South-South Cooperation 2015).
The BRI is currently the biggest South-South cooperation project between both countries. The China-CELAC Forum, too, can be considered a South-South initiative. Both projects focus on a deepening of economic and political cooperation, development and mutual trust.
As I am going to demonstrate later, South-South cooperation influences the politico-economic relations between China and Peru.
Therefore, it is necessary to explain what it is.
The Finance Center for South-South cooperation (2015:w.p.) defines South-South cooperation as a

> "broad framework for collaboration among countries of the Global South in the political, economic, social, cultural, environmental and technical domains. Involving two or more developing countries, it can take place on a bilateral, multilateral, interregional basis. Developing countries share knowledge, skills, expertise and resources to meet their development goals through concerted efforts."

According to the United Nations Office for South-South cooperation, such a kind of cooperation has various goals for the countries of the South such as, among other: (1) "foster the self-reliance of developing countries by enhancing their creative capacity to find solutions to their development problems in keeping with their own aspirations, values and specific needs", (2) "enable developing countries to achieve a greater degree of participation in international economic activities and to expand international cooperation for development", (3) "strengthen the capacity of developing countries to identify and analyze together their main development issues and formulate the requisite strategies to address them", (4) "increase the quantity and enhance the quality of international development cooperation through the pooling of capacities to improve the effectiveness of the resources devoted to such cooperation" (United Nations Office for South-South Cooperation 2023:w.p.).

South-South cooperation is part of China's foreign aid strategy. In 2014, the State Council of the People's Republic of China stated:

> "China is the world's largest developing country. In its development, it has endeavored to integrate the interests of the Chinese people with people of other countries, providing assistance to the best of its ability to other developing countries within the framework of South-South cooperation to support and help other developing countries, especially the least developed countries (LDCs), to reduce poverty and improve livelihood." (State Council of the PRC 2014:w.p.).

China states that it wants to actively promote South-South cooperation and help developing countries promote economic and social development (ibid.). The Belt and Road Initiative has now become part of China's South-South cooperation plans. The State Council of the People's Republic of China wrote in 2021 that the BRI is a major platform for international development cooperation and that through the BRI, China wants to promote "policy, infrastructure, trade, financial and people-to-people connectivity, to build the Belt and Road into a path toward peace, prosperity, opening up, innovation, green development, cultural exchanges, and clean government." (State Council of the PRC 2021:w.p.). Principles such as national sovereignty, mutual respect, equality, mutual benefits and win-win shape China's foreign aid and South-South cooperation (State Council of the PRC 2014). The Belt and Road Initiative is built on these same principles. Thus, the BRI can be considered a South-South cooperation plan. The China- CELAC Forum can also be considered a South-South initiative because it focuses on stronger cooperation between the different countries that are all part of the so-called South. In the Joint Action Plan of 2022-2024, it is stated that China wants to make use of South-South cooperation to help CELAC member states address food security problems and that it wants to promote South-South cooperation in sports (China-CELAC Forum 2021). The China-CELAC Forum sees itself as an example for South-South cooperation and it wants to promote this kind of relation further (cf. China-CELAC Forum 2016).

In a meeting between the Chinese and the Peruvian foreign Ministers in 2021, it was declared that "the cooperation between the two countries is South-South cooperation that features mutual assistance and mutual support, and has great potential and bright prospects."(Ministry of Foreign Affairs of the PRC 2021:w.p.).

South-South cooperation is seen as a powerful tool for underdeveloped and developing countries because it gives them an opportunity to work with countries that share the same difficulties and goals, and thus gives them an alternative to developed, strong and powerful states from the "Global North".

As I am going to demonstrate in the analytical part of my chapter, South-South cooperation between China and Peru can have positive as well as negative impacts on the politico-economic relations between both countries as well as on the global geopolitical situation.

6. Analysis

In this main part of my thesis, I will make use of the documents portrayed above as well as of official statistics and analyze them with the lenses of the theories. This will be useful to see how China's demand for minerals has influenced the politico-economic relations between China and Peru since the 1990s.

This chapter will be divided into three subchapters which each have a different focus and which will help understand the politico-economic as well as the geopolitical implications of China's increasing engagement in the Peruvian mining sector.

The first subchapter will analyze trade and investment relations and will focus on the extent to which politico-economic dependency relations between China and Peru have developed. It will also portray the risks presented by China's need for minerals for the Peruvian economy.

The second subchapter explains how South-South cooperation projects like the Belt and Road Initiative influence the Sino-Peruvian politico-economic relations and how this impacts Peru's positioning toward the United States.

The third and last subchapter will focus on the geopolitical effects that China's increasing needs for minerals has on the global stage. Here, the United States plays the biggest role as it is the country that feels most threatened by the rise of China and by its engagement in other countries and regions, especially in Latin America.

In this analytical part of the thesis, I made use of many different statistics and graphs. For further clarity, I must write a claimer:

It must be mentioned that there are no statistics that match a hundred percent with statistics from other sources. This is not because the data is faulty but because the data is always portrayed a little bit differently: While one website integrates different types of minerals such as raw copper, refined copper and copper ore under the single term "copper", other websites divide these into different categories. Thus, at first glance, it seems as if the statistics do not coincide, but in fact, they do to the greatest extent.

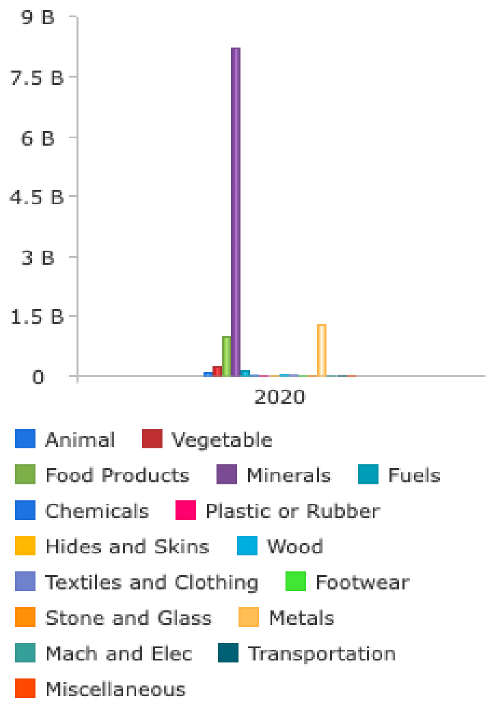
All statistics analyzed in this thesis have been taken from websites such as UN Comtrade, the Observatory of Economic Complexity (OEC), and the websites of the ministries of Peru and China.

6.1 China-Peru trade and investment: politico-economic dependencies?

China and Peru's politico-economic relations are to a large extent based on their trade and investment relations. As we have seen, many different important treaties and agreements such as the FTA, the BIT and Peru becoming a member of the BRI can support this claim.

For example, within the first year in which the FTA came into effect, the value of Peruvian exports to China grew by 30% and total trade with China increased up to 25% (Sanborn & Yong 2013:17). The relations between China and Peru are also based on China's interest in minerals and on Peru's interest in China as an important trade partner. The treaties and agreements signed between China and Peru have created a positive environment for deeper economic trade relations. A few years after the first documents were signed, China became Peru's largest trade partner, and due to China's rising demand for minerals, Peru became one of China's most important providers of mineral resources. For copper ores, Peru is China's second-largest provider after Chile (UN Comtrade 2023).

According to the World Integrated Trade Solution (WITS), the FTA and the BTI seem to have had positive impacts on Peru's exports of minerals to China: While in 2000, Peru was China's eighth-largest provider of minerals, in 2010 it was its sixth-largest provider, in 2015 its fourth-largest one, and in 2018 even the third-largest one after Australia and Brazil (WITS 2023). Mineral products have also become Peru's largest export goods to China by far. The dominance of minerals in Peru's exports to China in 2020 can clearly be seen in the graph by WITS (2023) on the right.



Source: WITS (2023) https://wits.worldbank.org/CountryProfile/en/Country/PER/Year/2020/TradeFlow/Export/Partner/CHN/Product/all-groups

However, as this chapter will show, these developments seem to have for one part reinforced and for the other part created a twofold dependency for Peru: they reinforced a dependency on minerals as a main trade product and created a dependency on China as the biggest trade partner. As Hirschman (1945:13) argues, foreign trade plays an important part among the economic determinants of power. This means that trade can affect the economic power that one country has over another, which also affects the dependency relations.

Even though there is always a certain dependency between trade partners, we have seen in Hirschman's theory that it is the trade *volume* that determines the degree to which one country is dependent on another. Another determinant is the number of alternative markets that a country has in case trade with an important partner is interrupted.

Why, then, can we speak of politico-economic dependency relations between China and Peru? To explain how China's demand for minerals in Peru has developed into a one-sided dependent relationship, I need to apply the theoretical aspects to the examples of China and Peru and to their trade relations. In other words, I am going to use the theoretical categories that we have seen in the theoretical chapter to analyze the trade relations between both countries. These categories will help me to find out whether and to what extent a dependent relation exists. This subchapter is divided into two parts. For the first part, which focuses on the dependency relations caused by trade with China, I apply Hirschman's theory on trade dependency. In the second part, I use Singer's critical views on foreign direct investments for the analysis of dependency situations caused by Chinese investments in the Peruvian mining sector as well as their impacts on Peru's economy.

My findings will be supported by providing statistical examples and graphs.

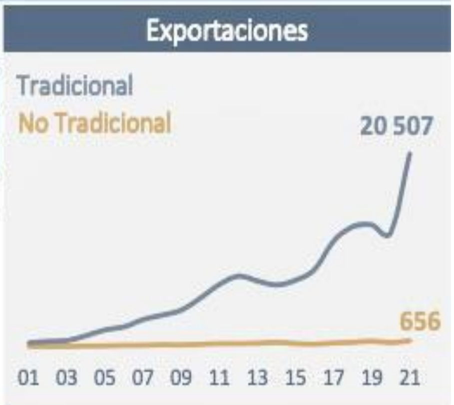
Dependency on trade with China

First, it is important to put Peru and China in the categories of "core", "semiperiphery" or "periphery". This is necessary in order to understand the theoretical approach in this analysis. In the dependency theory, it becomes clear that Peru can be considered to be a country of the periphery, exporting raw materials to the core countries of the North such as the United States. At the same time, however, China cannot be considered to be a core state. China is a so-called emerging economy, which means that even though it is on its way to becoming a core country, it is not fully there yet.

There exist many different definitions of emerging economies, also called emerging markets, and what many of them seem to have in common is the focus on the growth potential of these economies (cf. Mody & IMF 2004:3). The International Monetary Fund (IMF) presents four criteria which help to distinguish between advanced economies and emerging economies:
(1) “per capita income level”, (2) “export diversification”, (3) “degree of integration into the global financial system” (IMF 2022:w.p.). The IMF also differentiates between four clusters within the group of emerging markets: low growth, increasing growth, declining growth, and high growth (Zhang & Gao & IMF 2015:8). China is the only country in the cluster of high growth, because its growth rate is to a large extent higher than the growth rate of the other countries in the group (ibid.:9). This means that China is the fastest growing country in this category.
While some dependency scholars such as Stallings (2020) do categorize China as a core state, I would argue that due to China being an emerging economy, it should rather be placed between the periphery states and the core states. Here, the world-systems theory offers an alternative for a third category: the so-called semiperipheral state.
Meanwhile, Peru, according to the dependency theory and the world-systems analysis, is a peripheral state.
Its economy is rather not diversified as it mostly relies on exports of primary commodities such as minerals (UN Comtrade 2023). A great degree of Peru’s economy is based on the natural resources sectors. This dependence on one or a few products is nothing new. In the 1990s, Peru’s main export items were the same as today, but its main trade partner was the United States instead of China. In 1995, China was only placed sixth in the ranking of Peru’s trade partners (ibid). Today, China has overtaken the United States as Peru’s largest trade partner. But while Peru’s exports to the United States today are diverse (different kinds of fruits, textiles, precious metals, plastics and rubber, mineral products and metals, machines, foodstuffs, beauty products, and animal products), its exports to China are mostly concentrated in metals and mineral products (OEC 2023). As we have already seen earlier, the greatest extent of Peru’s total exports to China are minerals, with copper ore as the most important mineral and much of the rest constituted of other mineral ores such as iron ore, zinc ore and precious metal ores (ibid.). In fact, when we consider the following statistic from the Peruvian Ministry for Foreign Commerce for the year 2021, it becomes obvious how important minerals are as Peruvian export goods to China, compared to other export goods such as fisheries, agricultural goods, or textiles.

Perú: Exportaciones de Bienes a China (Millones US$)

Part. % 2021	Bienes	Anual 2017	2018	2019	2020	2021	Var. % 21/20
100%	**Total**	**11 627**	**13 237**	**13 585**	**12 556**	**21 163**	**69%**
97%	**Tradicional (T)**	**11 224**	**12 766**	**12 973**	**12 115**	**20 507**	**69%**
3%	**No Tradicional (NT)**	**403**	**471**	**612**	**442**	**656**	**48%**
89%	**Minería [1]**	**9 931**	**11 349**	**11 681**	**11 053**	**18 913**	**71%**
68%	Cobre	8 276	9 548	9 355	8 419	14 453	72%
10%	Hierro	424	467	932	1 097	2 130	94%
3%	Plata	405	292	435	454	613	35%
4%	Zinc	556	635	507	482	868	80%
3%	Plomo	229	360	374	362	644	78%
0%	Molibdeno	15	20	34	102	102	-1%
0%	Oro	24	19	40	119	83	-30%
0%	Antracita	-	-	-	-	18	-
9%	**Pesquero (T y NT)**	**1 364**	**1 494**	**1 502**	**1 103**	**1 902**	**72%**
7%	Harina de pescado	1 177	1 258	1 119	906	1 471	62%
1%	Pota	96	137	257	96	164	70%
0%	Aceite de pescado	50	52	48	40	101	154%
0%	Langostino	-	3	35	17	65	278%
0%	Ovas de pez volador	6	11	18	22	56	155%
0%	Algas marinas	31	28	21	19	39	102%
1%	**Agropecuario (T y NT)**	**123**	**153**	**176**	**183**	**202**	**10%**
1%	Agrícola	105	138	169	180	194	8%
1%	- Fruta	89	117	152	154	153	0%
0%	Arándano	33	33	70	74	66	-12%
0%	Uva	31	41	44	36	45	25%
0%	Palta	14	30	26	26	27	4%
0%	Mandarina	10	10	10	15	13	-17%
0%	Mango	0	0	1	1	1	-22%
0%	- Tara en polvo	13	16	12	19	29	51%
0%	- Quinua	0	0	0	1	3	162%
0%	Pecuario	17	15	6	3	8	162%
0%	- Lana y pelo fino sin cardar	7	10	2	1	4	225%
0%	- Cueros y pieles	6	3	1	1	3	198%
0%	**Textil**	**57**	**58**	**26**	**26**	**45**	**71%**
0%	Tops de alpaca	53	53	20	16	35	121%
0%	Prendas de vestir	2	3	5	6	9	52%
0%	Mascarillas	-	-	-	3	-	-100%
0%	**Hidrocarburos**	**54**	**94**	**121**	**113**	**32**	**-71%**
0%	Gas natural	24	27	84	99	32	-67%
0%	Nafta	31	14	16	13	-	-100%
0%	**Otros**	**98**	**89**	**78**	**78**	**69**	**-11%**
0%	Forestal	59	53	51	38	37	-4%
0%	Colorante natural	8	9	9	8	9	4%
0%	Ácido bórico	11	10	9	5	5	12%
0%	Glicerol	0	0	0	2	4	99%
0%	Productos de acero	2	1	2	15	1	-93%
	N° de Subpartidas Exportadas	**398**	**388**	**390**	**332**	**306**	**-8%**



Fuente: SUNAT / Elaboración: MINCETUR - VMCE - DGIECE *[1] Minería metálica y no metálica*

Source: Ministry of Foreign Commerce and Tourism of Peru (2021:2)

http://www.acuerdoscomerciales.gob.pe/estadisticas.html

The graph shows the extreme lack of diversity in Peru's exports to China in 2021. Its exports of minerals and fishing goods made up 98% of Peru's total exports to China. Minerals alone were of nearly 90% of its total exports to its largest trade partner. The graphs on the right side show the growth of diverse sectors. Traditional sectors (minerals, oil and gas, fisheries, and agriculture) grew steadily while non-traditional sectors (textiles, woods and paper, leather) only grew poorly.

According to the world-systems theory, China can be considered to be a semi-peripheral country that is trying to become a core state. Trade between China and Peru can be seen as trade between core products from China such as machines, and peripheral products from Peru such as raw materials. As we have seen in the theory, the core and the semi-periphery always need the periphery to upkeep their power. In this regard, one could argue that China is dependent on Peru for raw materials such as minerals. While this is true to a certain extent, it is mostly the trade *volume* that determines whether a country is really dependent on another country. We have seen this in the trade dependency theory by Hirschman, in which he claims that one factor to determine the degree of power that one country holds over the economy of another country is the total volume of trade handled between these countries (Hirschman 1945:xi).

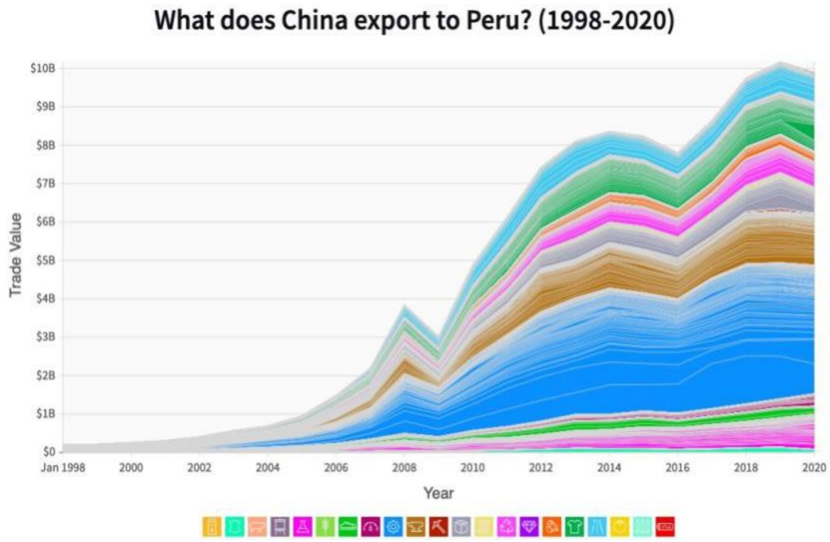
In this case, it is clear that China does not risk becoming dependent on Peru. Statistics show that while China is the most important trade partner for Peru, Peru does not even closely hold the same place for its Asian trade partner. While exports to China are 32% of Peru's total export value, Peru's share in China's exports is under one percent. The same is the case in the imports volume: Chinese products have the largest share of Peru's imports with 29%, but trade with Peru only takes up one percent of China's imports (ITC Trade Map 2023). This shows that while China is Peru's greatest trade partner for both import and export, Peru takes on a much less important role in China's trade.

So, according to Hirschman's theory, while Peru could be dependent on China due to China taking on the largest share of Peru's total export and import value, it is not the same the other way around.

However, dependency on a main trade partner is not the only dependency that Peru is confronted with.

As we have seen in Hirschman's theory (1945), there are two dependencies that often go hand in hand: dependency on one product and dependency on one trade partner. While China's economy in general as well as its exports to Peru are extremely diversified, this is not the case for Peru.

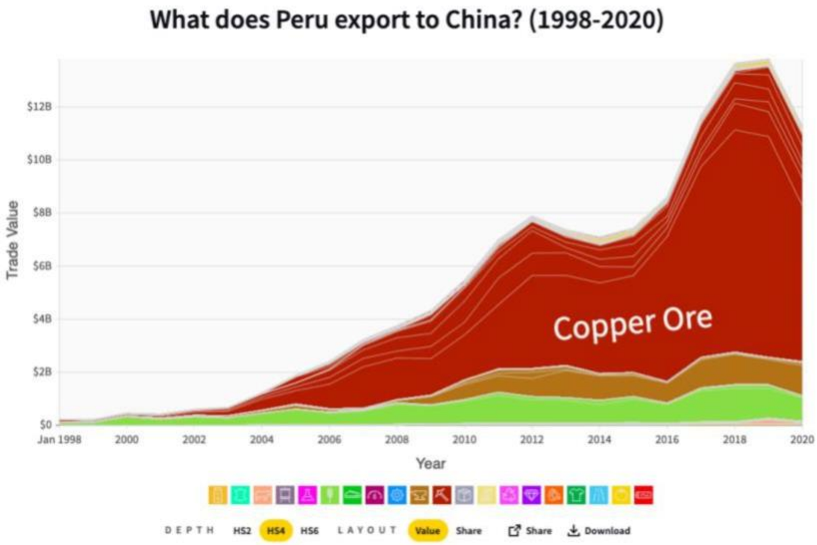
Let's consider the following graph which shows China's exports to Peru between 1998 and 2020:



Source: OEC (2023) https://oec.world/en/visualize/stacked/hs92/export/chn/per/show/1998.2020/

This graph shows that export from China to Peru is very layered with different kinds of products such as motorcycles and buses (light blue), clothing (green), ceramics (orange), plastics and rubbers (pink), paper goods (yellow), furniture (grey), metals, mostly iron (brown), and others. The biggest export goods from China to Peru are machines such as computers, telephones, broadcasting equipment and more (blue). In other words, China nearly only exports manufactured goods to Peru. The graph also shows how Chinese exports to Peru boomed after 2009, the year in which the FTA was signed.

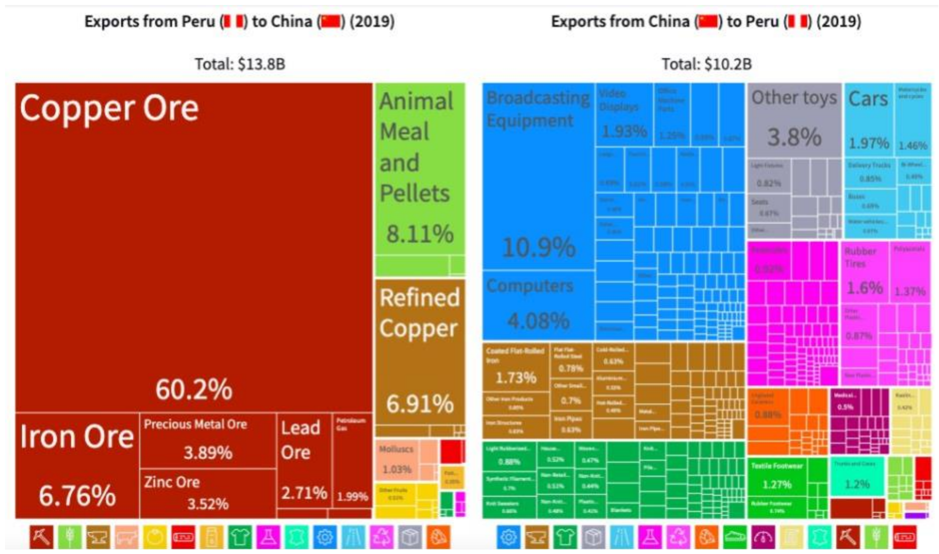
At the same time, the following graph showing the export from Peru to China shows that Peru's export is much less diversified and to the largest extent concentrated in metals. It exports close to no manufactured goods and is mostly limited to primary commodity goods.



Source: OEC (2023) https://oec.world/en/visualize/stacked/hs92/export/per/chn/show/1998.2020/

Different kinds of mineral products are shown in red, with copper ore being the most important export good to China. The brown part shows metal goods with refined copper as the biggest one. Lastly, Peru also exports foodstuffs (light green) to China. Other export goods such as vegetable products (yellow) and textiles (dark green) are of such small trade value that they can hardly be detected on the graph. It can also be seen that the FTA did not contribute much to Peru's export diversification. The only products that gained in export value after the FTA came into effect were metal goods (brown). Thus, while the export value grew steadily, the products remained largely the same.

The lack of Peru's diversity in export products can best be seen when it is compared side by side with the very diverse exports of China:



Source: OEC (2023) https://oec.world/en/profile/bilateral-country/per/partner/chn?redirect=true

In 2021, minerals made up nearly 64% of Peru's total export to its international partners (EY & Ministry of Foreign Affairs of Peru 2023/2024:8). Copper ore is Peru's most important export product. In 2019, 68,3% of Peru's total copper ore exports were exported to China (OEC 2023). That is a very high percentage, which shows that China has nearly a monopoly on copper ore and is thus of great importance for Peru's trade.
However, such a great number leads to great dependence on China as a trade partner in this sector because it gets more difficult to find alternative markets.
As Hirschman explained, a situation like this provides opportunities for economic pressure (1945:108) as it gets more difficult for dependent countries to find alternative markets: "The greater the percentage of exports and imports involved in a dominant market, the more difficult it will be to provide substitute markets and sources of supply." (ibid.:30).

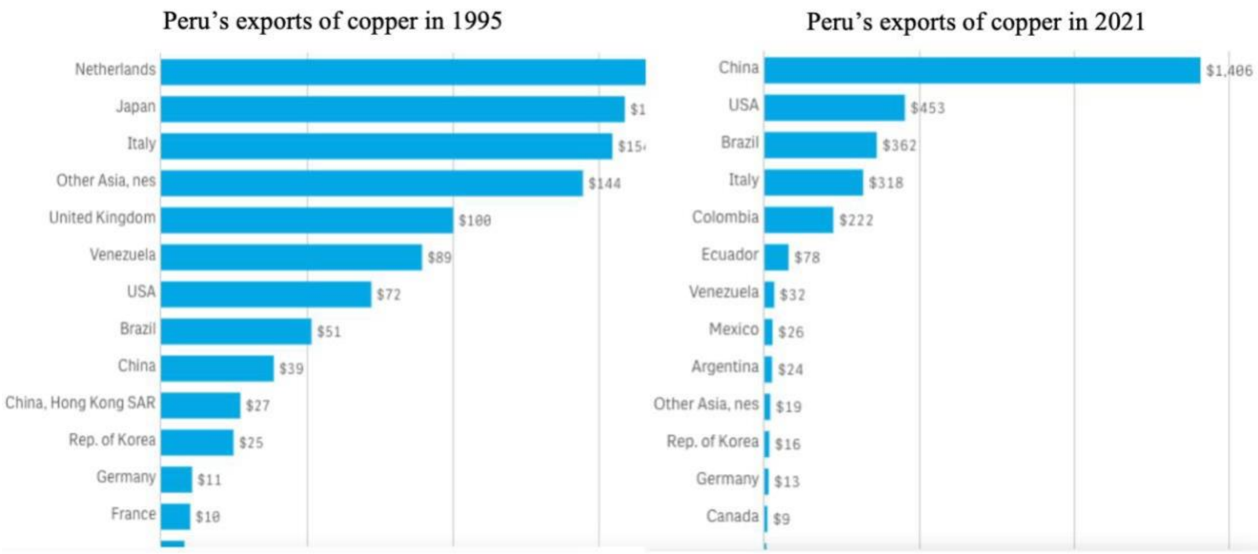
The example of minerals as the main export product and of China as the main partner who buys these minerals showcases Hirschman's claim that product and partner dependency tend to go together.
However, as I already mentioned, Peru's dependency on minerals and other raw materials as its number one export products is not new. It had already been this way in the 1990s. What has changed, however, is the way that these products are distributed among Peru's trade partners. According to a graph by the Ministry of Foreign Commerce and Tourism of Peru (2022:2) which shows Peru's main export destinations for metallic mineral products between 2021 and 2022, China was by far the greatest export destination with 51 percent. China was followed with great difference by the European Union (8%), India (7%), United States (6%) and Canada (6%) (Ministry of Foreign Commerce and Tourism of Peru 2022:2).

Source: Ministry of Foreign Commerce and Tourism of Peru (2022:2)
http://www.acuerdoscomerciales.gob.pe/estadisticas.html

For further examination and comparison over a longer period of time, let's consider the example of Peru's exports of copper. Copper is one of Peru's most important export products and its most important product for China.

The following two graphs show that while in 1995, copper exports from Peru were much more evenly distributed among Peru's export partners, in 2021, China has nearly a monopoly over this product.

Peru's exports of copper in 1995 and in 2021 (in MLN USD)

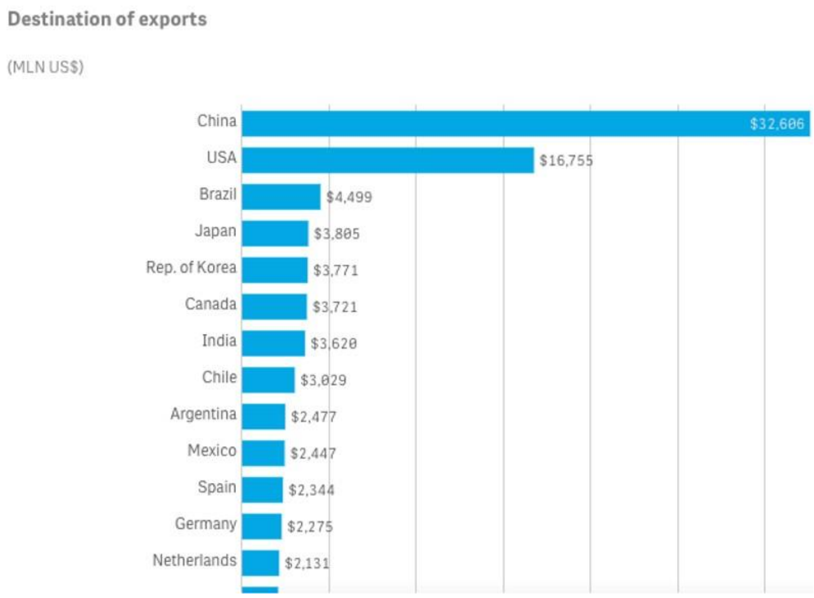


Source: UN Comtrade (2023) https://comtrade.un.org/labs/data-explorer/

This is another factor that, according to Hirschman, strengthens dependency relations. He argued that having trade market alternatives is necessary in order to avoid becoming too dependent on one country. Since in 1995, copper export to the first four trade partners was more or less of the same value, Peru was not dependent on a specific one of these partners. Meanwhile, in 2021, we see that there is a big difference in the volume of Peru's copper exports to China and its exports to the United States and its other partners.

The same is true if we consider Peru's total exports: The amount of exports to China is nearly exactly twice as high as the exports to Peru's second largest trade partner, the United States. The following graph by UN Comtrade shows that China leads with a great advance in Peru's export partners. It also shows how big the export volume from Peru to other countries is and how unevenly distributed the total exports are:

Destination of Peru’s exports (2021)



Source: UN Comtrade (2023) https://comtrade.un.org/labs/data-explorer/

Trade with China makes up the largest amount of Peru’s total trade and in this way, China takes on an important role for Peru’s economy. Hirschman (1945) argued that this makes it more difficult to find alternative markets, which leads to bigger dependency relations.

This also means that in case of “stoppage” or “interruption of trade” (Hirschman 1945:16), in other words, if China chooses to stop its trade with Peru, Peru will make big losses.

As we have seen in the theoretical chapter, Hirschman argues that this is another indicator that one country is dependent on trade with another country.

Dependency on Chinese investments and their impacts on Peru’s economy

As we have just seen, Peru’s exports to China are mostly limited to minerals and thus lack diversification. This also impacts Peru’s economy as a whole since China is its greatest trade partner and trade with China constitutes a great part of Peru’s total export volume. In the economic complexity index, which measures the diversity of a country’s economy, China was placed 17th while Peru was only ranked 105th (Atlas of Economic Complexity 2023).

Due to China being Peru’s largest trade partner, and natural resources being China’s most imported product from Peru, these export dynamics reinforce Peru’s orientation toward the primary commodities sector. This is also one of the consequences of China's investments in Peru, which impacts Peru's economy.

Singer (1950) argued that investments often go along with trade and also play an important role in dependency and exploitation dynamics.
The laws for promoting investments as well as the bilateral investment treaty between China and Peru have helped attract Chinese investments in Peru, especially in the mining sector. While these investments have helped develop new mines and infrastructure projects, they must be seen critically in the sense of their effect on dependency relations and on their effects on Peru's economy.
The division of the core-periphery production is being promoted through Chinese investments in the Peruvian mining sector. As Singer (1950:479) claims, foreign investments can be seen as creating a system of "exploitation" or "economic imperialism" because they have the effect of taking away the incentive of a country to diversify its economy.
Resource-rich countries like Peru see that their trade with primary commodities works well because the global demand is high. This has the effect that they want to attract more investments, be it foreign or domestic, into this specialized sector to promote and expand it even further. This can for example be seen in Peru's law for the promotion of investments in the mining sector (decree 708). The following statement by Valdivia of EY Peru also shows the focus on the mining sector: "Due to the importance of the mining sector in Peru's GDP, it is essential to create new scenarios that favor investment in the country and further boost the economy" (EY & Ministry of Foreign Affairs of Peru 2022/2023:70).
This again has the effect that other important sectors which would need investment are neglected, which takes away the opportunity to use investments for diversification and this way to diversify the country's economy in general.
Thus, foreign investments lead to further specialization in the primary commodities sector, limiting the country's economic possibilities to a sector that has not much scope for technical progress (Singer 1950:477). This is why Singer (1950) argues that foreign direct investment can lead to countries remaining underdeveloped and becoming more dependent on their investing partners.
Since Chinese investments are largely concentrated in the Peruvian mineral sector and since China is one of Peru's greatest donors, these effects can also be observed in the case of Peru's relations with China. With its investments, China has huge control over the Peruvian mining

sector and production: “With control of seven of Peru’s largest mines, PRC-based companies have become 63% of China’s investment in Peru.” (Ellis 2022:w.p.).
It can even be said that China has a monopoly over the iron ore production in Peru. Chinese companies in Peru have uninterruptedly been the only iron ore producers since 1997 and until today (Gurmendi 1997:3 & 2018:3). The production of China-owned companies Shougang Hierro Peru and Minera Shouxin S.A, which is also part of Shougang, account for a hundred percent of Peru’s total iron ore production since they are the only iron ore companies in the country (Ministry of Energy and Mines of Peru 2021:47 / Ellis 2022).
This means that Shougang has a monopoly over the Peruvian iron mining sector: “The company has almost the entire market, with a 99% share as of November.” (bnamericas 2023:w.p.).

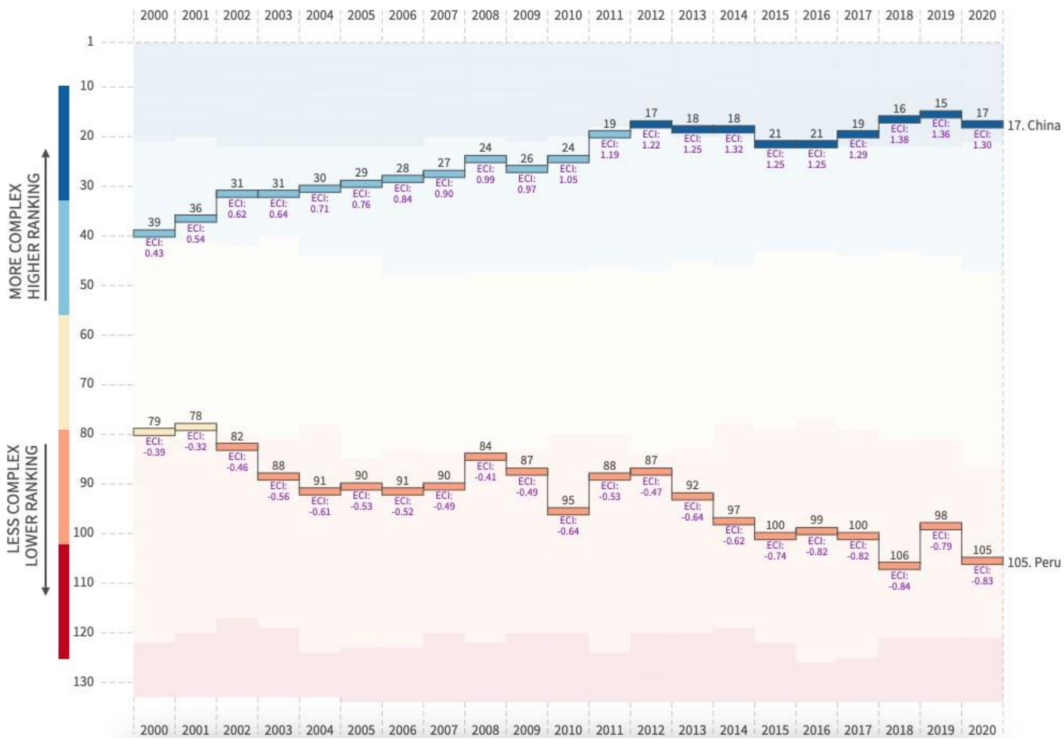
Many scholars and politicians also see a risk of dependency in the Belt and Road Initiative. As we have seen earlier, the BRI is to a great extent oriented toward China’s need for minerals. The BRI helps China secure its access to raw materials while also promising a “win-win” situation for everyone. Duesterberg (2022:w.p.) claims:

> “Energy projects dominate almost half of BRI investments in resource-rich countries, especially in Africa, Latin America and South and Mideast Asia. Mining and agriculture are also targets for BRI projects which both ease access to production in underdeveloped countries and allow Chinese firms to control operations in major projects. Perhaps the greatest success of BRI has been in securing access to raw minerals and dominating the processing of minerals such as rare earths, cobalt and lithium (Duesterberg 2022:w.p.).

With the building of new roads, ports and airports, the Belt and Road Initiative creates new trade routes. China possesses a great deal of power and control over these projects, and in some cases dominates the production of minerals. This means that the BRI can deepen the dependency relations between Peru and China and contribute to Peru lacking diversification in its export trading. It also means that China is gaining control in one of Peru’s most important economic sectors and a sector that is very important for its GDP. While in 2013, mining made up 4,8% of Peru’s GDP, in 2021 it made up 14,4%, which shows that it is quickly gaining in importance for Peru’s economy (EY&Ministry of Foreign Affairs of Peru 2014/2015 & 2021:32).

In other words, China’s investments and trade dynamics are contributing to Peru’s orientation toward primary commodities export. As Singer (1950) argued, this can have the effect that Peru loses its incentive to try to diversify its economy. This way, a country’s economy is lacking diversification and it underperforms economically, therefore remaining “underdeveloped” and being at higher risk of dependency dynamics with trade and investment partners.

And indeed, the general diversity of Peru’s economy has been decreasing. The following graph by the Atlas of Economic Complexity (2023) shows that while China’s diversification has been increasing, Peru has become less diversified over the years. This may be due to its greater direction toward the Chinese market.



Source: Atlas of Economic Complexity (2023) https://atlas.cid.harvard.edu/rankings

Peru is further putting its focus on the mining sector for specialization and is neglecting other useful sectors.

In this sense, as argued Singer, specialization is a problem that can lead to dependency relations. The specialization of Peru’s mineral sector is being upheld by the large demand from the Chinese side as well as the demand from many of Peru’s other trade partners. Exports of minerals to China and Chinese investments in the Peruvian mining sector take away the incentive from Peru to diversify its economy. This pattern prevents Peru from developing alternative industries other than the extractive industries.

Thus, these dynamics reproduce the core-periphery division as we have seen it in the dependency theory. Peru therefore remains in its peripheral position within the world-system.

While it is possible that China's investments have led to a lack of diversification in Peru's economy, it must be said that this is not necessarily and not *only* China's "fault" since many other countries also invest in Peru and mostly invest in its mining, oil, gas and energy sectors. What's more, Peru has actually been trying to diversify its economy and its trade relations with China, so as to not limit its economic potential to the export of minerals. China, too, is taking initiatives to help Peru diversify its economy, such as through investments in other sectors for projects that are part of the Belt and Road Initiative. Sanborn and Yong (2013:4) state that the main motivation behind Peru's pursuit of the FTA and other agreements with China as well as with other countries has been to diversify its trade and investment opportunities. Lin (2021:w.p.) argues that in order for this to happen, the key for Peru would be "to increase the variety of its exports and facilitate Chinese investments in fields other than natural resources production". The Peruvian ambassador to China, Luis Quesada, said in an interview with Dialogo Chino that the maximum has been made out of the FTA but that it now needs modernization in order to make the best use of it (Dialogo Chino 2022). Peru has great expectations for the export of agricultural products like avocados and other products that could be attractive to the Chinese market (ibid.).

Both China and Peru have been working on diversifying and expanding their economic relations since the FTA and since Peru joined the Belt and Road Initiative in 2019 (Lin 2021). In 2015, when Chinese Premier Li Kequiang was on a visit in Peru, the two countries signed ten agreements on different topics such as investment, agriculture, and hydropower development, with the goal of diversifying their economic relations away from exchanges on the Peruvian side mostly based on minerals (Lin 2021). Even though agricultural products have indeed increased, they still make up a small percentage of Peru's exports to its largest trade partner (ibid.). Still, in 2019, Peru became China's biggest supplier of avocados (ibid).

While not much diversification has been happening in the trade relations, through Peru's joining of the BRI, China has now an opportunity to invest more in infrastructure sectors and other sectors such as logistics, technology, media and telecom or real estate (Green Finance and Development Center 2023). This will be beneficial for Peru's economic diversification.

In this subchapter, I showed how China's increasing demand for minerals in Peru has impacted the politico-economic dependency relations between the two countries and Peru's economy in general. With the help of the two theoretical lenses, I explained why Chinese investments and trade have contributed to Peru's specialization in primary commodities, its resulting lack of diversity and its resulting increasing dependency on China. The twofold dependency according to Hirschman (1945) can be seen as an indicator that Peru is, in fact, to a great extent dependent on China. Its lack of market alternatives and its high orientation toward the primary commodities sector are also indicators of this.

As the Peruvian Ministry of foreign affairs acknowledged:

> "Notwithstanding Peru's improvements in macroeconomic stability, it still faces a number of important challenges that hamper its competitiveness potential. For Peru to grow in a sustained fashion going forward, a number of challenges will need to be addressed. This will include improving the quality of the institutional environment, upgrading the country's infrastructure (in particular its insufficiently developed transport infrastructure network), and educational standards. Peru's overdependence on minerals and metals subjects the economy to fluctuations in world prices." (EY & Ministry of Foreign Affairs of Peru 2014/2015:11).

Two ways of avoiding further dependency would be, according to Singer and Hirschman, to diversify the economy and to not only limit itself to one trade partner but to have market alternatives in case of a "stoppage" of trade relations.

Unfortunately, however, as the graphs show, Peru seems not to be doing enough to realize these two options. At the moment, it relies on China and mineral products as the main driver of its economy. Even though Peru has been trying to diversify its economy the results are not showing.

However, the Belt and Road Initiative can be a new incentive for Peru to benefit from Chinese investments and use them to diversify its economy.

How China's investments and trade can help form a beneficial South-South cooperation in the Sino-Peruvian politico-economic relations will be explained in the following subchapter.

6.2. South-South cooperation and China as an alternative for Peru

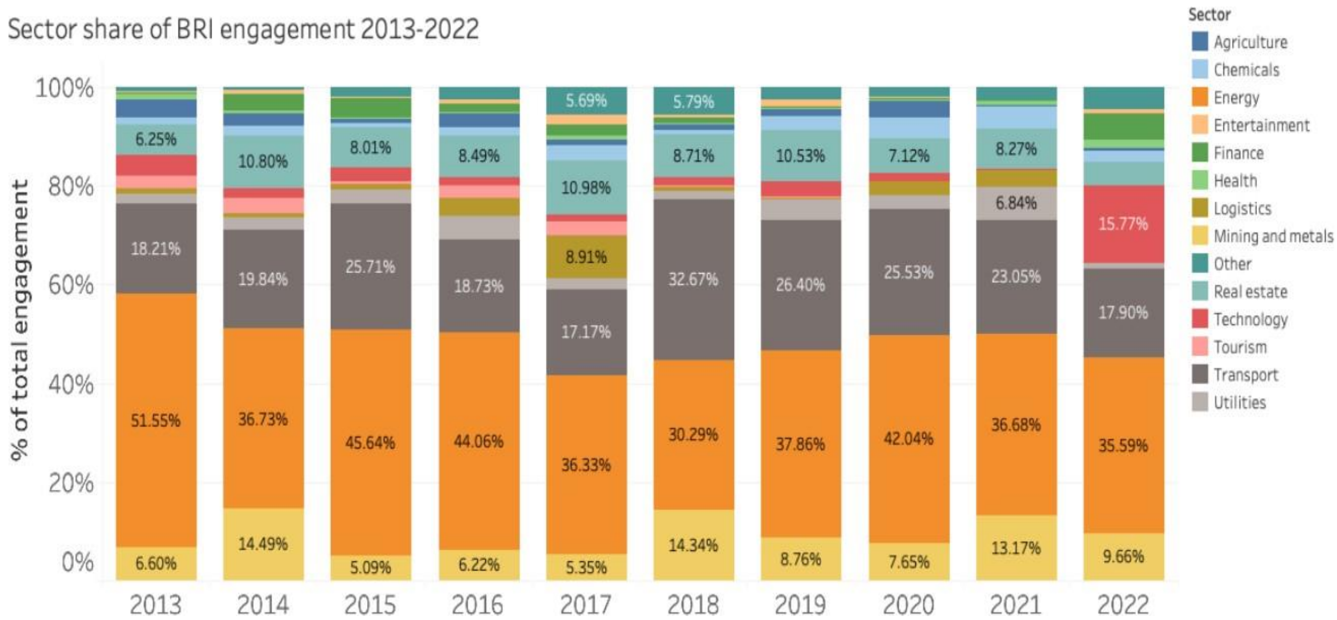
Now that we have seen the detrimental effects of Chinese investments and trade, I am going to analyze the positive effects that China's demand for minerals has on the politico-economic relations between China and Peru. These concern the development of South-South cooperation between both countries which, as I am going to demonstrate in this chapter, can be beneficial for both of them.

For the analysis, I am going to rely on the world-systems theory and make use of the Memorandum of Understanding of Peru joining the Belt and Road Initiative.

The already existing South-South cooperation between China and Peru is strengthened through the implementation of the Belt and Road Initiative, which Peru joined in 2019. The BRI is interesting for both countries since China needs Peru's minerals and Peru needs investments in its infrastructure and in other sectors. Since China invests in infrastructure that is useful for the transportation and export of minerals, the BRI offers a win-win for China as well as for Peru.

As we have seen in the previous chapter, Chinese investments were for a long time largely concentrated in the minerals sector, limiting Peru's export products to a sector that cannot be much diversified while neglecting other important sectors. Since a few years, however, and especially through the Belt and Road Initiative, China has started to diversify its investments in Peru and now includes other sectors.

Unfortunately, not much data or statistics are available on BRI projects and investments in Peru. The following graph by the Green Finance and Development Center however gives an overview of overall BRI engagement in all of its participant countries, according to the different sectors. "Engagement" includes construction projects as well as investments.



Source: Green Finance and Development Center (2023) https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2022/#:~:text=About%20the%20data%3A&text=According%20to%20these%20data%2C%20Chinese,19%20billion.

As the graph shows, energy is the most important sector for overall BRI engagement. The second most important sector for Chinese engagement is transport, which includes construction projects such as roads and ports. Considering only investments and ignoring construction projects, the mining sector is the second most important sector in the BRI (Green Finance and Development Center 2023). Thus, we can see that even though the mining industries are still of great importance, the BRI also includes other sectors to invest in, such as logistics, entertainment, tourism and more. This incentive for diversification is important for Peru if it wants to break free from its dependence on the mining sector.

According to the Chinese government, China has been trying to help Peru diversify its economy in general. As has stated the Chinese President Xi Jinping in 2016, China is willing to "offer Peru all equipment and technologies required for its industrialization, providing personnel training and complementary financing, with the objective to contribute to the diversification of Peru's economy and fruitful cooperation both in quality and profitability." (Xi & Embassy of the PRC in Ecuador 2016:w.p., translated from Spanish). The topic of diversification also plays a role in the BRI, even though it is only mentioned indirectly. In the Memorandum of Understanding, it is stated that the BRI aims to promote "diversified, independent, balanced and sustainable development" in the participating countries (National Development and Reform Commission, Ministry of Foreign Affairs, et al. 2015:w.p.).

After having given an overview of China and Peru's South-South cooperation through the BRI, I will now explain how this can be beneficial for Peru's economy and for the politico-economic relations between both countries. I will also use the world-systems theory in combination with the BRI to highlight the benefits for Peru.

The BRI presents itself as an opportunity for "win-win cooperation" (National Development and Reform Commission, Ministry of Foreign Affairs et al. 2015:w.p.). As we have seen earlier, the BRI aims to promote prosperity for the participating countries and to strengthen bilateral and multilateral exchanges.
It's written in the "priorities" section of the BRI Memorandum of Understanding that not only the relations between China and the participating countries should benefit from the BRI, but also the relations between the participant countries among themselves (National Development and Reform Commission, Ministry of Foreign Affairs et al. 2015). The BRI aims to promote regional economic cooperation, world peace and development, and helps establish and strengthen partnerships among the countries along the Belt and Road (ibid.). This regional economic cooperation has the potential to lead to intergovernmental cooperation, policy exchanges, enhance political trust (ibid.), and thus strengthens and further promotes South-South cooperation between Peru and other Latin American countries which are also part of the BRI. Not only the priority points in the memorandum but also the actual projects themselves like the building of new roads or railways will facilitate trade between Latin American countries, possibly leading to stronger trade relations. This can help Peru diversify its trade partners, giving it much-needed market alternatives.
The South-South cooperation between China and Peru can also help Peru with its upward mobility and thus help Peru move up in the periphery-semiperiphery division. This can happen through promotion by invitation which goes along with the rise of China (Li 2017). In other words, due to China needing raw materials for its own industrial development, it can create stronger trade and investment relations that can have the effect of promoting other countries' rise as well. As Li (2017:w.p.) explains, promotion by invitation refers to the upward mobility by a semiperipheral or peripheral state, and "this upward mobility is stimulated by the favorable external environment created by the promotion and invitation of the existing hegemon,

or by a group of core nations, for the sake of their own geopolitical and geo-economic interests." Even though China is not yet a core country or a hegemon, the quote still fits to the situation between China and Peru. The "favorable internal condition" of Peru is its wealth of minerals and other natural resources that China needs. The "geopolitical and geo-economic interests" of China are its secured supply of raw materials, good relationships with Peru, and its political support. The "invitation" took place when China invited countries to join its Belt and Road Initiative. Thus, through the promotion of infrastructure and other sectors that are important for diversification and for industrial development, China's Belt and Road Initiative offers its participant countries a possibility for "promotion by invitation" and for "upward mobility". This way, countries can change their positions within the capitalist world-system as we have seen it in Wallerstein's theory. For Peru, this means that China's engagement in the mineral sector and now through the BRI in other sectors can help Peru move up from periphery to semiperiphery. It also means that it can help Peru diversify its economy, decreasing the risk of further dependency on minerals as the greatest export good and China as its greatest partner.

In the previous chapter, we have seen the risk of Peru becoming politico-economically dependent on China due to China's importance in the Peruvian investments and trade relations. We have also seen in an earlier part of this thesis that the BRI is seen critically by scholars because they think it could lead to stronger dependency dynamics. As stated on the website of the Ministry of Foreign Affairs of the PRC (2018), Néstor Francisco Popolizio Bardales, the Peruvian Minister of external relations does not agree with these views. He "expressed that the development and growth of China is a major opportunity for Peru. Peru hopes to learn the successful development experience from China and enhance all-round cooperation with China, and firmly regards its relations with China as a diplomatic priority." (Ministry of Foreign Affairs of the PRC 2018:w.p.).

Despite U.S. policymakers' efforts to warn their Latin American partners of China and its BRI engagement (c.f. U.S. Congressional Research Service 2021:2 & U.S.-China Economic and Security Review Commission 2021:55&247), more and more countries are siding with China. The more Peru's ties with China grow, the more Peru seems to turn away from its traditional partners like the United States. It can be noted that Peru sees China as an alternative to its traditional trade partners and sees its growing relations with China as an opportunity to break free from the dependency of the United States. Like Lin (2021:w.p.) writes: "Heavily hit by the financial crisis, Peru actively sought out China as an alternative source of capital to break its dependence on the United States and diversify its diplomatic ties.". Piccone (2020:3) too, writes that most of China's Latin American partners are "eager to diversify their trade and financial dependence away from the United States, the International Monetary Fund (IMF), and other large international economic and trade institutions led by Washington". Many Latin American governments have welcomed China's rise. Left-leaning as well as right-leaning governments view China as an economic alternative to the United States and want to distance themselves from U.S. and Western financial institutions due to ideological reasons, among others (Polga-Hecimovich 2022). Peru, too, prioritizes its relations with China and analysts claim that preserving good relations with China has been a priority for all of the recent Peruvian presidents (Aquino 2021).

The Belt and Road Initiative is one opportunity that presents itself for countries to strengthen their politico-economic relations with China and "search for greater margins of autonomy and, therefore, [replace] traditional partners such as the United States and Europe" (Caceres Solis 2022:4). The China-CELAC Forum with its Joint Action Plan also gives incentive for Latin American countries to work closer with China as well as with Latin American partners among themselves. Here too, the South-South cooperation is strengthened and can be seen as an opportunity for countries to turn away from the United States and other core powers.

South-South cooperation as in the Belt and Road Initiative takes on many different forms and includes different areas. The BRI and the China-CELAC Action Plan include political and financial cooperation, cooperation in the mining industry, tourism, people-to-people exchanges, health, culture, arts, sports and more. This way, different sectors in Peru are influenced by China. While greater cooperation with Peru was interesting for China due to its need for minerals, China has now started to gain control in other sectors too. In fact, according to the China-Index (2022), a platform that measures Chinese influence in different countries in the world, Peru is the fifth most-influenced country out of 82 countries.

Ranking & Scores

Overall Score

Overall scores measure the PRC's overall influence in the Index countries. Click on the dropdown button to compare the PRC's influence in each of the nine Domains.

Rank	Country	Score
1	Pakistan	242/380
2	Cambodia	233/376
3	Singapore	228/384
4	Thailand	226/384
5	Peru	219/396

Source: China Index (2022)
https://china-index.io/

Peru is ranked first out of all Latin American countries. Different sectors were analyzed to measure the level of Chinese influence: economy, foreign policy, domestic politics, academia, law enforcement, media, military, society and technology. Considering all of these sectors, Peru is the fifth most-influenced country. As we have seen in the previous chapters, Peru is indeed economically influenced and even dependent on China. Considering Chinese influence only in Peru's economy, Peru is ranked eighth, in domestic policy it's ranked ninth and in foreign policy twenty-second (China Index 2022). The BRI is often viewed critically in the context of China's increasing control in diverse sectors and its growing presence in the BRI countries in general. Caceres Solis (2022:4) for example argues: "In this sense, the PRC seeks to reduce US dependence on the countries participating in the IFR[4], developing an economic hegemony and - over time - ensuring Chinese dependence not only on Latin American countries but also on a large number of countries worldwide."

This is one of the reasons why the U.S. wants to regain influence in the region. This could mean that Peru's as well as the other Latin American countries' economic future could be marked by a dual U.S.-Chinese presence, which would be a scenario that could benefit the region (Polga-Hecimovich 2022). According to Polga-Hecimovich (ibid.) there are three possible scenarios that result from the growing Chinese presence in Peru and in the rest of Latin America: (1) dual hegemony of China and the United States, (2) the United States reclaim dominance, and (3) China surpasses the United States. The first scenario is the most probable one. China established its relations with Peru during a time in which the United States lost importance and neglected its relations with its Latin American partners (ibid.). However, the United States now realizes that its partners are turning toward China and that the U.S. is losing influence in the region. Even before Latin America was integrated into the BRI, China was growing influence in the region, such as through the signing of treaties like the FTA in Peru. Now especially due to increasing South-South cooperation through the BRI and the China-CELAC Forum, the U.S. feels threatened by China.

As we are going to see in the next chapter, the U.S. wants to regain importance in Peru and other Latin American countries to lessen the Chinese dominance in the region. This means that there is a possibility that the U.S. will grow in Peru's future trade relations, thus giving it an important market alternative. This, as we have seen earlier, is important to avoid becoming too dependent on one single partner, in this case, on China. This way, South-South cooperation through the BRI and the China-CELAC Forum can be beneficial for Peru's diversity of trade partners and even the diversity of its export products. It's also beneficial for the politico-economic relations between China and Peru because they are strengthened while relations with the hegemon, the United States, are weakened. This is positive for China because the U.S. is

[4] IFR = Iniciativa de la Franja y la Ruta (Belt and Road Initiative)

its biggest rival in its overall relations with Peru as well as other Latin American countries. Meanwhile, the growing ties to China are an incentive for the U.S. to regain influence, which is beneficial for Peru's economy. This is what Enrique Dussel Peters (2019:3) calls a new "triangular relationship" between China, the U.S., and Latin American countries like Peru.

The Belt and Road Initiative can therefore be seen as an opportunity for Peru's upward mobility and trade and investment diversification. However, as we have seen in the theoretical part, a change in positions within the capitalist world system does not mean that the system itself changes. This means that even if Peru and other peripheral countries move up with the help of China's promotion by invitation and become semiperipheral countries, they will still be dependent on the core countries and will still be exploited by other semiperipheral and core countries because "when China is successfully moving toward the core, it still needs periphery." (Li 2017:w.p.). In this context, it is clear that Peru needs to be aware of the risk of becoming too dependent on its largest trade partner. Peru should also not downplay the dangers of China's growing influence in different sectors. At the same time, however, the BRI does present many benefits for Peru and Peru should be aware of these opportunities and should "seize the chance" (Li 2017:w.p.). As we have seen in the theory, it is in such a beneficial scenario that the opportunity presents itself to diversify the economy. Waiting to do this because things are "good as they are" (Singer 1950:482) would be a mistake. This way, Peru would remain dependent on China and on minerals as its number one export good. With the BRI however, Peru has an opportunity to lead Chinese investments away from the mineral sector and into other important sectors that will also influence the diversification of Peru's export production and therefore its economy in general.

In this chapter, I demonstrated how cooperation with China can help Peru move up from being a peripheral country to becoming a semiperipheral country. Mostly, this would be done by South-South cooperation through the Belt and Road Initiative and other projects such as the China-CELAC Forum. While dependency risks still exist, the BRI presents an opportunity for Peru to diversify investments and trade with China and to develop greater cooperation and trade relations with other Latin American partners. This way, China and its BRI influence the politico-economic relations between China and Peru as well as between Peru and its neighboring countries. All of this is tied to China wanting to become a core country and even a hegemon, and to its increasing demand for minerals in order to do this.

Many Latin American countries are supportive of these developments, but not everyone is enthusiastic about the possibility of a change in hegemon. While the Belt and Road Initiative offers an opportunity for some countries to move up in their positions within the capitalist system and thus move from periphery to semiperiphery, this change in positions also brings along a challenge of downward mobility for other countries.

As we will see in the following chapter, the United States especially feels threatened by these developments and the possibility of a change in hegemon. In other words, the next chapter will deal with the ways in which China's demand for minerals in Peru influences the geopolitical relations between China, Peru, and the United States.

6.3. Geopolitical impacts of China's engagement in the Peruvian minerals sector

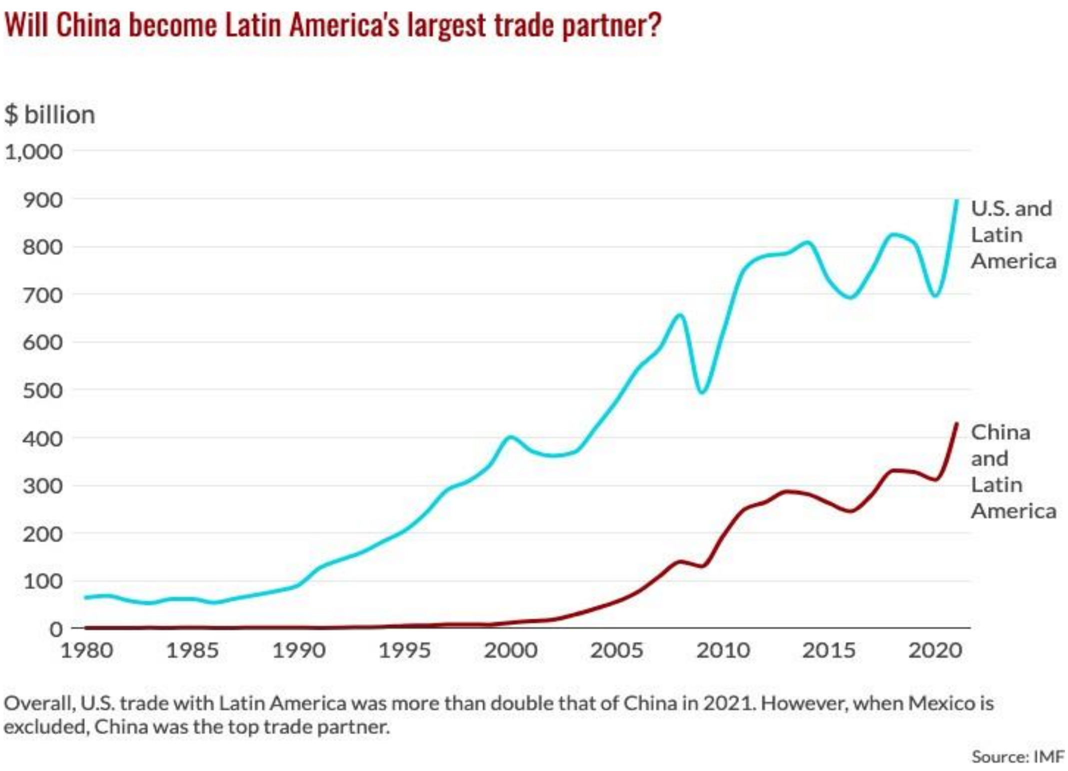
As we have seen, the BRI, the China-CELAC Forum and more generally China's demand for minerals in Peru have led to new South-South cooperation and can lead to stronger cooperation among Latin American countries themselves. China is also gaining influence through the China-CELAC Forum; no such equivalent exists for the United States. The Peruvian Minister of foreign affairs has stated that Peru wants to continue promoting deeper China-Latin American cooperation (Ministry of Foreign Affairs of the PRC 2018).

With its growing influence in the region, China has to a certain degree influenced geopolitical dynamics in Latin America, as we are going to see in this subchapter.

In this last part of the analysis, I am going to demonstrate to what extent China's demand for minerals in Peru influences geopolitical relations between Peru and other countries, and more broadly, between Latin America and other countries. Here, I will focus on the United States because this is the country that is reacting the most strongly to the developments of China's rising influence in Peru and other Latin American countries, and the resulting siding of these countries toward China and turning away from the United States and Western institutions. Again, I will make use of the Memorandum of Understanding and the action plan of the Belt and Road Initiative as well as the Joint Action Plan of the China-CELAC Forum and combine them with the theoretical lenses from the world-systems theory. To analyze the reactions from the United States, I use different congressional hearings from the House of Representatives, the U.S.-China Economic and Security Review Commission, and the National Security Strategy of 2017 and 2022, published by the White House.

For this subchapter, it is important to note that the impact of China's engagement in the mineral sector on global geopolitics is not limited to Peru but is stretched throughout all of the region of Latin America. Therefore, similar to the last chapter, much of the following examples and explanations focus on Latin America as a region but logically also concern Peru as part of this region. I have however tried to focus on Peru as much as possible.

As I have just demonstrated, infrastructure projects like the Chancay port and other projects that are part of the BRI can help strengthen Peru's trade relations with other Latin American countries and with China, thus also deepening South-South cooperation. Such cooperation is also maintained through the China-CELAC Forum and through documents like the Joint Action Plan. Due to such initiatives, Chinese trade with Latin American countries has been steadily growing since the twenty-first century. China has become the largest trade partner for nine countries in Latin America: Peru, Cuba, Chile, Brazil, Argentina, Paraguay, Uruguay, Bolivia and Venezuela (Polga-Hecimovich 2022). However, the United States is still the largest trade partner for the entire region, as can be seen in this graph by the think tank *Geopolitical Intelligence Services*:



Source: Graph by GIS (2022), based on data by the IMF

https://www.gisreportsonline.com/r/chinas-economic-power-grows-in-latin-america/

As is mentioned in this graph, Mexico plays a big role in the total Latin American trade value toward China and the United States. Only if Mexico is taken into consideration is the United States the largest trade partner for Latin America in 2021. This is because trade with Mexico accounts for 71% of the U.S.'s trade with Latin America (Polga-Hecimovich 2022). When Mexico is excluded, the largest trade partner of the region is China.
Not only Chinese trade but also Chinese investments have been growing since the last twenty years. As Tulchin (2018:w.p.) writes, "as China's financial commitments in Latin America grow, so does its influence".
The United States does not like these developments of China's increasing influence in Peru and in the entire region of Latin America. One new challenge in this domain is the Belt and Road Initiative.

Even though according to the first principle in the BRI action plan, China upholds the five principles for peaceful coexistence – mutual respect for each other's sovereignty and territorial integrity, mutual nonaggression, mutual noninterference in each other's internal affairs, equality and mutual benefit, peaceful coexistence – the United States views the BRI critically and argues that it should be regarded as a threat for global security, as we are going to see later. The Minister of foreign affairs of Peru does not agree with this and sees the BRI as an opportunity for the development of all participants (Ministry of Foreign Affairs of the PRC 2018). As we have seen earlier, all of Peru's recent leaders have prioritized the deepening of Sino-Peruvian relations. According to Lin (2021), Alan Garcia was the first president of Peru who promoted China-Peru relations. He was in power from 1985 to 1990 and from 2006 to 2011. In 2008, he even stated that Peru's development is tied to China (Lin 2021). Today, this still seems to be true, considering how Chinese trade and investments, currently through the BRI, are seen as a development opportunity for Peru.

The United States however sees the BRI as a real and growing challenge (Senate of the United States 2019:2). China's rise and its attempts to become a core country according to the world-systems theory presents a risk for the hegemony of the United States. Some scholars such as Caceres Solis (2022:1) agree with the critical views of the BRI and see it as "one of the most important strategies of the People's Republic of China (PRC) to achieve economic hegemony and world leadership". In its *National Security Strategy*, the Biden administration views China as its "only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it." (White House 2022:23).

The Belt and Road Initiative presents the opportunity for China to become a core country, and for Peru to become a semiperipheral country. The BRI gives Peru the occasion for upward mobility through promotion by invitation. At the same time, it presents a challenge for core countries and hegemons such as the United States, who could face the risk of future downward mobility with a continuation of current developments within the world-system. This way, the BRI and the rise of China more generally mean that a future change in the positioning within the world-system is possible. As we have seen in the theory, such changes are defined as cyclical rhythms within the world-system.

China's need for minerals and its resulting growing engagement in the Peruvian as well as other Latin American countries' mineral sectors is developing into an overall increasing Chinese presence and influence in these countries. Since the U.S. wants back its power in the region, this is resulting in a fight for hegemony between China and the United States. Both countries want to be core states, which is leading to a challenge for upward and downward mobility and a fight for power within the world capitalist system. The Australian defense and strategy expert White (2017:w.p.) claims: "The contest between America and China is classic power politics of the harshest kind. We have not seen this kind of struggle in Asia since the end of the Vietnam War, or globally since the end of the Cold War." Singh (2020) sees the Belt and Road Initiative as a challenge to the current world-system with the U.S. as a hegemon. He explains: "The current state of the capitalist world system is still geared toward the West, but now faces a challenge to its dominance from China and the BRI, which aims to establish China as a core area of the world system and assert its dominance on those in its periphery." (Singh 2020:w.p.). New rising powers within the world-system, in this case China, can be considered as challengers to the current hegemon and other core countries due to their different political and economic goals. This is why many countries, especially current core countries, see the rise of China critically; They fear a Sinicized world-order, or a world-order "with Chinese characteristics" (Li 2017:w.p.). In such a Sinicized world-order with Chinese characteristics, authoritarianism and socialism would play an important role (cf. Yoho, House of Representatives 2019:53 / Smith, House of Representatives 2019:58).

Not only does the United States fear a change of hegemon and thus downward mobility for itself, but it also fears further developments that could result from the rise of China as a new hegemon.

China has been gaining importance in Peru and in the entire Latin American region while the United States lost its influence. Albio Sires, chairman of the Subcommittee on the Western

Hemisphere, Civilian Security, and Trade, and member of the Committee on Foreign Affairs, stated in his speech before the House of Representatives that “the United States has played too little [...] attention to Latin America and the Caribbean. And it is now clearer than ever that China is filling the void” (Sires, House of Representatives 2019:1). He also believes that infrastructure projects and other Chinese engagement pose a significant challenge to the national security of the United States that need to be examined much closer (ibid.).

Ted Yoho, also part of the committee on foreign affairs, stated in the same hearing that he agrees that China’s engagement is posing a threat to the United States. In fact, he goes further and accuses China of wanting to spread authoritarianism:

> “[...] with China’s Belt and Road Initiative in Asia and Africa, the Chinese are now moving to implement the initiative in the western hemisphere, recently signing BRI agreements with Peru and Chile. Make no mistake about this, [...] China is looking to harness and capture despotic, authoritarian regimes, and give them a tool that they can manage their people and get their people to submit to serve their government.” (Yoho, House of Representatives 2019:5-6).

In the same hearing, Brian Fonseca agreed with this view and argued that China’s engagement in Latin American countries is “undoubtedly part of a broader global effort aimed at shaping a world consistent with its authoritarian model” (Fonseca, House of Representatives 2019:17). He also sees a risk in China’s rise for democratic institutions in Latin America (ibid.).

One expression that is often mentioned in combination with China’s rise and its efforts for hegemony is the so-called “soft power” approach. Soft power is defined as “the use of a country's cultural and economic influence to persuade other countries to do something, rather than the use of military power” (Cambridge Dictionary 2023:w.p.). The use of military power would be regarded as “hard power”. China uses its soft-power approach for example in the domains of media collaboration, culture, and academics.

As I have already demonstrated, although the BRI and other treaties and documents are to a large extent based on China’s needs for minerals in Peru, these documents also contain many other domains where the two countries want to cooperate, such as in tourism, technology, people-to-people bonds and more. A strengthening of people-to-people bonds is part of the BRI memorandum of understanding as well as of the China-CELAC Forum and its Joint Action Plan of 2022-2024. Fonseca views these people-to-people contacts in Latin America as a Chinese attempt to build soft power and differentiate the Chinese brand from the United States’ (Fonseca, House of Representatives 2019:17). In the same hearing, Walker defined soft power as “the ability to affect others by attraction and persuasion” (Walker, House of Representatives

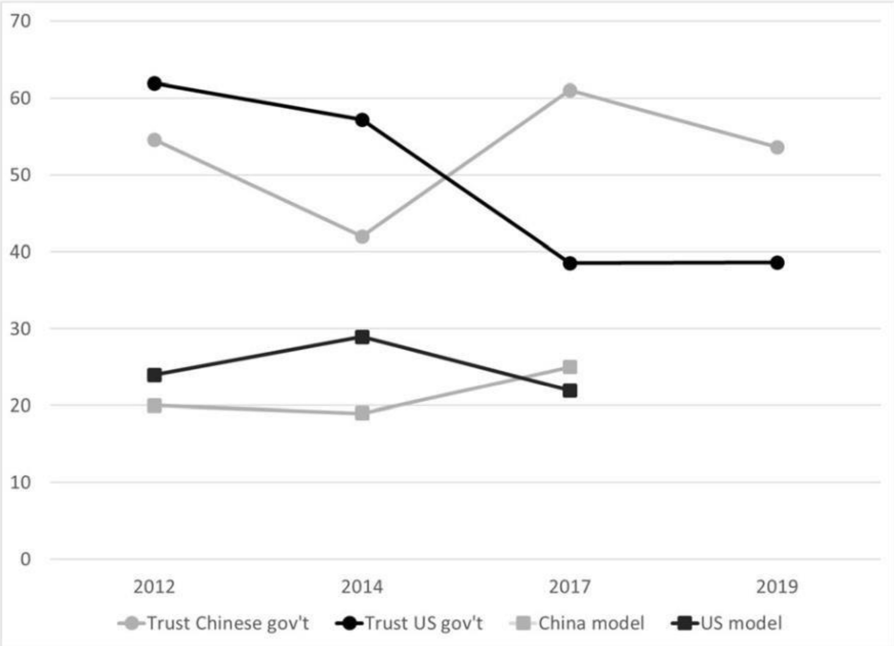
2019:27). Such Chinese soft power is promoted through the establishment of Confucius institutes and cultural and academic exchanges, which are promoted in the BRI, the China-CELAC Joint Action Plan as well as the Joint Action Plan between China and Peru.

Christopher Walker sees growing security risks in countries' engagement with the BRI due to the spread of authoritarianism and the shaping of public opinion (cf. Walker, House of Representatives 2019:27). The project which at the beginning was based among others on China's growing needs of minerals has now spread to other sectors in which Chinese influence is growing. Walker claims that media and information play an important role for the monopolization of ideas and the suppression of alternative narratives, which tend to accompany Chinese engagement (ibid.). Chinese state media, he argues, are gaining importance and influence the public opinion in Peru. Walker explains: "Argentina and Peru are among the countries that have various media partnerships with China. In Peru's case, an agreement between CGTN and the National Institute of Radio and Television in Peru emphasizes joint collaboration in news exchange, co-production, technological cooperation, and personnel training and mutual visits." (Walker, House of Representatives 2019:28). He views these developments critically and as a possible risk for the spread of authoritarianism in Peru.

China's soft power approach is something that the United States fears because it can be used to convince countries to do things that are beneficial for China. The approach also helps China gain influence in many different sectors, thus growing its influence overall.

The suspicions and fears of the United States about China's rise and its soft-power approach in Latin America are not unfounded. As we have seen in the previous subchapter, South-South cooperation includes different domains and creates new opportunities for China and Peru, such as employment opportunities, cultural exchanges, media collaboration and more. This way, the public opinion of Peruvians is also influenced by China's increasing presence and its soft-power approach.

A study conducted by Kerry Ratigan (2021) shows that the opinions of the Peruvian population regarding Chinese and American governments and their respective political and developmental models have been changing. Basing her research on surveys conducted by the Latin American Public Opinion Project (LAPOP), she finds that between 2012 and 2019, the percentage of people trusting the U.S. government has been dropping from a little bit over sixty percent down to a little under forty percent. In the same time span, trust in the Chinese government has been falling and then increasing, leading to the same percentage in 2012 and 2019. Overall, the percentage of Peruvians trusting the Chinese government in 2019 was higher than the percentage of Peruvians trusting the U.S. American government. The same is true for their respective models. While both the percentage of trust in the U.S. government and its model were higher in 2012, both percentages are lower compared to trust in China's government and its model in 2019. Surveys like these reinforce the U.S.' suspicions about China's spread of authoritarianism and a risk for Peru's democracy.



Source: Graph by Ratigan (2021:98), based on data by The AmericasBarometer/the Latin American Public Opinion Project (LAPOP) https://link.springer.com/article/10.1007/s12116-021-09321-0/figures/1

The soft-power approach is also used to gain favors. Economic benefits are for example exchanged for political support. As the Trump administration put it: "China's infrastructure investments and trade strategies reinforce its geopolitical aspirations" (White House 2017:46). One example for this is China's handling of Taiwan.

Brian Fonseca argues that one goal of China's engagement in Latin America is the isolation of Taiwan, because most of the countries that still recognize Taiwan are in Latin America and the Caribbean (Fonseca, House of Representatives 2019: 59). According to the Ministry of Foreign Affairs of the Republic of China (Taiwan), seven of its thirteen diplomatic allies are in that region: Belize, Guatemala, Haiti, Paraguay, Federation of Saint Christopher and Nevis, St. Lucia and Saint Vincent and the Grenadines (Ministry of Foreign Affairs of the Republic of China (Taiwan) 2023). That's why the biggest problem that the United States sees with the Belt and Road Initiative and with China's rise is the question of Taiwan.

The think tank *Council on Foreign Relations* created a very insightful list of Latin American countries which shows that there indeed seems to be a correlation between countries that recognize China's claim over Taiwan and the countries' joining of the Belt and Road Initiative.

In fact, there are only three exceptions: Brazil, Mexico and Colombia consider Taiwan as part of the People's Republic of China but are not part of the Belt and Road Initiative, at least not yet. The other way around, it can be seen that not even one single Latin American country is part of the BRI without recognizing China's claim over Taiwan. It is also striking that some countries have recognized China's claim over Taiwan very closely to joining the BRI. The Dominican Republic, El Salvador, Nicaragua and Panama all recognized the one-China policy shortly before joining the BRI. Panama for example recognized the one-China principle in the same year it joined the Belt and Road Initiative. The correlation is also evident in the example of Nicaragua. Only one month after ending its ties with Taiwan, it joined the BRI (Silk Road Briefing 2022). The list does not include the most evident example and the newest update on Honduras, which cut its ties with Taiwan to recognize one-China at the end of March 2023 (Cheung 2023). The foreign Ministers of the two countries met on March 26th to establish the diplomatic ties, and in the same meeting, it was stated that Honduras is ready to join the Belt and Road Initiative and other projects proposed by Xi Jinping (Embassy of the PRC in the Kingdom of Sweden 2023).

Country	Recognizes China's claim over Taiwan	Belt and Road Initiative participant	Using or planning to use Huawei equipment in 5G networks
Antigua and Barbuda	Yes	Yes	No data
Argentina	Yes	Yes	Yes
Bahamas	Yes, as of 1997*	No	No data
Barbados	Yes, as of 1977*	Yes	No data
Belize	No	No	No data
Bolivia	Yes	Yes	Yes
Brazil	Yes	No	Yes
Chile	Yes	Yes	Yes
Colombia	Yes, as of 1980*	No	Yes
Costa Rica	Yes, as of 2007*	Yes	No data
Cuba	Yes	Yes	No data
Dominica	Yes, as of 2004*	Yes	No data
Dominican Republic	Yes, as of 2018*	Yes	Yes
Ecuador	Yes	Yes	Yes
El Salvador	Yes, as of 2018*	Yes	No data
Grenada	Yes, as of 2005*	Yes	No data
Guatemala	No	No	No data
Guyana	Yes	Yes	No data
Haiti	No	No	No data
Honduras	No	No	No data

Jamaica	Yes	Yes	No data
Mexico	Yes	No	Yes, with restrictions
Nicaragua	Yes, as of 2021*	Yes	No data
Panama	Yes, as of 2017*	Yes	No data
Paraguay	No	No	No data
Peru	Yes	Yes	Yes
Saint Kitts and Nevis	No	No	No data
Saint Lucia	No	No	No data
Saint Vincent and the Grenadines	No	No	No data
Suriname	Yes	Yes	Yes
Trinidad and Tobago	Yes	Yes	Yes
Uruguay	Yes	Yes	Yes
Venezuela	Yes	Yes	No data

- Show less

*Changed from recognizing Taiwan as independent to recognizing China's claim.

Source: Graph by Will Merrow, Council on Foreign Relations (2022), based on data by the Green BRI Center& Chinese Government's Belt and Road Portal https://www.cfr.org/backgrounder/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri

Considering this, it's understandable that the United States feels threatened and sees these developments as a possible risk for global security.

Peru, however, does not see the Belt and Road Initiative as a geopolitical strategy. In a meeting with the Chinese Foreign Minister Wang Yi, the Peruvian Minister for Foreign Affairs, Nestor Francisco Popolizio Bardales, stated that "Peru does not recognize the view that sees the Belt and Road Initiative as a geostrategic policy, but believes that the initiative will promote the common development of all participants. Peru is willing to take an active part in the process of the joint construction" (Ministry of Foreign Affairs of the PRC 2018:w.p.).

Even though Peru recognizes the one-China principle since 1971, it still upholds relations with Taiwan. There is a Taiwanese embassy in Peru as well as the Taipei Economic and Cultural Representative Office, which promotes the bilateral relations of the two countries. The increasing pressure from China and its growing influence in various sectors poses a risk for Peru and could lead to Peru completely ending its relations with Taiwan. According to the Ministry of Foreign Affairs of the People's Republic of China (2018), the Peruvian Minister of Foreign Affairs, Nestor Francisco Popolizio Bardales congratulated El Salvador on the establishment of diplomatic relations with China after El Salvador ended its ties with Taiwan. Popolizio Bardales noted that "all countries in Latin America have sovereignty, independence and the right to decide their own foreign policies. El Salvador made the right choice. The violation of the one-China principle will only lead to the loss of support in the international community." (Ministry of Foreign Affairs of the PRC 2018:w.p.). This possibility of "loss of support in the international community" is a pressure that leads countries to choose the People's Republic of China over Taiwan. That's part of the reason why more and more countries are choosing to side with China even though they had long-standing diplomatic relations with Taiwan. In the same statement, Popolizio Bardales claimed that Peru is "willing to make greater contributions to promoting Latin America-China cooperation" (Ministry of Foreign Affairs of the PRC 2018:w.p.). This could for example happen through the China-CELAC Forum, which helps China gain influence in the entire region.

Politicians of the United States have warned Latin America about the risks of China's rise in the region. After the warnings, Peru's trade Minister, Eduardo Ferreyros, defended China as a reliable trade partner. According to Aquino (2018), Ferreyros told foreign media that Peru is happy with the results of the FTA with China and with China as a trade partner. This was the Peruvian government's first response to the United States' concerns and warnings over China's growing power (ibid.).

The United States has been trying to regain influence in the region. In the hearing of the committee on foreign affairs, some plans and solutions have been proposed for this. Yoho stated that the U.S. understands that China will remain a significant trade partner, but that it is important to raise awareness of the risk of closer engagement with China such as debt traps and undue political influence (Yoho, House of Representatives 2019: 6). He also argues that U.S. engagement in Latin America has to highlight their priorities such as transparency, corporate social responsibility and long-term sustainable results (ibid.). Myers argued that the U.S. must recognize that it cannot replace China in Latin America. She explains: "China plays a critical economic role at this point in the region that no other partner or group of partners can fill entirely. As a result, an us or them policy will be viewed as unrealistic by almost all governments in the region" (Myers, House of Representatives 2019:8). She proposes that the United States should boost outreach and engagement, for example in strengthening governments, and enforce trade and investment mechanisms. These will be necessary to ensure stability in the region and a stronger U.S.-Latin America relationship in the future (Myers, House of Representatives 2019:8-9). The United States should also increase activity in key sectors in the region so as to offer an occasional alternative to Chinese engagement (ibid.:16). As we have seen earlier, this is helpful if Peru wants to grow its market alternatives to decrease its economic dependence on China. Myers concludes: "In addition to growing its overall economic activity and outreach in LAC, the US must focus limited resources on strengthening governance, improving transparency, and fighting corruption in the region to ensure best outcomes for LAC[...]." (Myers, House of Representatives 2019:16).

Fonseca also highlights the fact that it is important not to consider all Chinese engagement negatively or as harmful. He states: "First, I think it is imperative that we disaggregate the good from the bad and resist labeling all Chinese activities as nefarious and antithetical to U.S. and regional interests. Not all Chinese engagement is designed to directly challenge the United States, and a great deal of it remains economic and opportunistic." (Fonseca, House of Representatives 2019:18). At the same time, he proposes that the U.S. should reinforce democratic institutions and values to counter China's engagement "to promote authoritarian alternatives" (ibid.). He also deems it important to strengthen the competition in the region.

This way, it seems like the United States is planning on raising its overall activity, trade, investment and competition in Peru and other Latin American countries in the future.

As we have seen in the previous subchapter, a scenario in which there exists a dual hegemony of China and the U.S. in Peru's trade relations would be advantageous for Peru. Peru would benefit economically and would be less dependent on one sole partner.

In this chapter, I demonstrated the geopolitical impacts that China's demand for minerals in Peru has on its relations with other countries.

Peru's growing politico-economic engagement with China through the BRI and the China-CELAC Forum leads to mistrust from the U.S. and possibly to future difficulties in Peru-U.S. relations. This mistrust is embedded in the U.S.' fear of China's upward mobility, resulting in the U.S.' downward mobility and the loss of its hegemonic position in the world-system. It is also based on its fears of the consequences of China becoming the new hegemon, such as the downfall of democracy and the spread of authoritarianism through China's soft-power approach and influence on the Peruvian public opinion. At the same time, Peru's turning away from the U.S. could lead to the U.S. being incited to try to regain influence in Peru through trade and investment relations. For Peru, this would be advantageous because it would mean that it has a second large trade partner and is thus less dependent on China. It would also mean that Peru would be less dependent on minerals as its main export product since, as I have shown earlier, exports to the United States are more diversified than exports to China.

7. Conclusion

In this Master's thesis, I analyzed the politico-economic relations between China and Peru, with a focus on the impacts of China's engagement in the Peruvian mining sector.
To give an overview of the politico-economic relations between China and Peru, I portrayed the most important documents that have been signed between both countries since the 1990s. The developments that occurred in their relations after the signing of those agreements, treaties, and memorandum of understanding were analyzed with the help of qualitative and quantitative content analysis. Further, the dependency theory and the world-systems analysis were used to base my findings on and to finally find answers to my research question "To what extent does China's increasing demand for minerals influence the politico-economic relations between China and Peru?". For this, different aspects of this topic such as dependency relations, South-South cooperation and geopolitical impacts were taken into account. After my in-depth analysis, I come to the conclusion that China's growing demand for minerals since the 1990s has influenced the politico-economic relations with Peru in various ways that I will portray here, in the conclusion of my thesis.

China's interest in the Peruvian mining sector as well as Peru's interest in China as a trading partner has led to the signing of treaties that were of great importance for the deepening of their politico-economic relations. The most important document for their trade relations was the Free Trade Agreement which, today, is in the process of renewal. The Bilateral Investment Treaty and the two Joint Action Plans were also indirectly driven by China's interest in Peruvian raw materials, and directly driven by China and Peru wanting to deepen their overall politico-economic relations. After the signing of the first agreements in the 1990s, China quickly gained in presence in the Peruvian mining sector as an investor and as a buyer of minerals.
The Belt and Road Initiative is the newest development in the Sino-Peruvian relations. For China, the BRI is seen as an opportunity to secure its access to raw materials, and for Peru, it is considered to be beneficial for the development of its infrastructure and its economy in general.
All of these changes have led to China becoming Peru's most important trade partner and one of its largest investors in its mining sector. Thus, it can be said that based on China's need for minerals, many agreements were signed that deepened and promoted the politico-economic relations between China and Peru.

However, my analysis shows that China's growing demand for Peruvian minerals has had to a large extent negative impacts on the politico-economic relations between the two countries. While the Sino-Peruvian politico-economic relations were promoted through documents such as the BIT and the FTA, the two countries did not profit from the same positive effects. On the Peruvian side, these developments have had negative effects on its independence and its economy.

First, Peru has developed a dual dependency due to China's growing influence in its mining sector. Basing my analysis on the theories portrayed in this thesis, I argue that Peru has become dependent on China as its most important trade partner as well as on minerals as its most important export goods. This is the case because of two reasons: Peru does not have enough market alternatives, which means that China holds close to a monopoly in Peru's exports of products such as copper ore. Peru also does not have export diversification as it limits itself to the export of minerals. This combination leads to a dual dependency and keeps Peru in its positioning in the periphery.

Second, China's investments in Peru's mining sector have undesirable effects on Peru's economy. Peru considers its mining sector to be the most important sector for its economy and wants to attract investments from all of its partners to promote the industry. Chinese investments in the Peruvian mining sector are among the largest of all of Peru's investors. While this is driving this industry forward, it is detrimental to Peru's economic diversification because other important sectors are neglected. Peru's focus on the primary commodities sector is upheld by China's increasing demand. Peru therefore lacks the incentive to diversify and remains in its peripheral position while China is moving up toward the core. Since 2000, Peru has made losses in its overall economic diversification. This, too, leads to a greater dependence on its minerals sector and thus also on China as its greatest buyer of those.

Third, China and Peru's South-South cooperation, based on projects such as the Joint Action Plans and the BRI, has increased Sino-Peruvian cooperation in the mining sector as well as in other sectors. While this is certainly beneficial for the strengthening of their politico-economic relations, I have shown in the analysis that it also means that China's overall influence in Peru grows. Considering the level of China's influence, Peru is placed fifth among eighty-two countries. This means that while China's engagement in Peru started in the mining sector in the 1990s, it has now spread to many other sectors as well, increasing its influence in the domains of Peru's economy, domestic policy, and foreign policy. With its soft-power approach, China’s rise poses a risk to Peru’s independence and democracy. Due to South-South cooperation also including sectors such as academic and cultural exchanges as well as employment, the public opinion of Peruvians is influenced. Since China is becoming an increasingly important partner to Peru, the government as well as the general population are more and more siding with China and are turning away from its traditional partner, the United States. This is where the geopolitical impacts of China’s growing need for minerals in Peru become visible.

Fourth, while the politico-economic relations between China and Peru are deepened, Peru’s relations with the U.S. are changing. In my analysis, I showed how China’s growing influence in the entire region of Latin America has prompted a growing mistrust from the U.S. toward China. Especially the Belt and Road Initiative is viewed critically by the U.S. because it leads to countries abandoning their relations with Taiwan and turning to China instead. While this can lead the U.S. to view the entire region more critically, it can also present benefits for the region and thus for Peru. As I have demonstrated, the U.S. wanting to increase its presence in the region so as to lessen China’s influence can lead to a “new triangular relationship” (Dussel Peters 2019:3) between Peru, China and the United States. For Peru’s economy and trade relations, this would be beneficial because it would lessen its dependence on China and its dependence on minerals as its most important export goods.

Fifth, the South-South cooperation between China and Peru also offers positive effects for the politico-economic relations and for Peru’s economic diversification. While South-South projects like the BRI are driven by China’s needs for minerals, they also present an opportunity for Peru to use Chinese investments to boost other sectors such as its infrastructure, agriculture and tourism. This directs its partnership with China away from the mineral sector, leading to a greater diversity in their politico-economic relations.
Still, more must be done in order for Peru to lessen its dual dependence on China as its largest trade partner and on the mining sector as the most important driver of its economy.

In sum, the politico-economic relations between China and Peru have been influenced mostly negatively by China’s increasing demand for minerals. However, the relations with China have also led to developments that could be beneficial for Peru in the future. It is now on Peru to take these opportunities and make the most of them. Meanwhile, Peru should not ignore the fact that its growing relations with China pose a threat to its independence and its relations with other countries, especially the United States. The diversification of investments and trade partners should be promoted in order for Peru to assure its economic growth while limiting the risk of influence, dependency, and even control of China in its mining industry and its other sectors.

8. Sources

Amazon Indigenous Platform for Monitoring Chinese Investments in Peru (2020) Proposal to Incorporate an Environmental Chapter in the Optimizing Process of the Free Trade Agreement between Peru and China.

Andina (2016) Peru, China ink Joint Action Plan 2016-2021. https://andina.pe/ingles/noticia-peru-china-ink-joint-action-plan-20162021-641392.aspx last accessed on 07/04/23

Aquino, M. (2018) Peru Defends China as Good Trade Partner after U.S. Warnings. https://www.reuters.com/article/us-peru-usa-tillerson-china-idUSKBN1FQ36P last accessed on 07/04/23

Aquino, M. (2021) Peru's new leftist president prioritizes China ties during early days in office. https://www.reuters.com/world/americas/perus-new-leftist-president-prioritizes-china-ties-during-early-days-office-2021-08-05/ last accessed on 07/04/23

Atlas of Economic Complexity (2023) Country & Product Complexity Rankings. https://atlas.cid.harvard.edu/rankings last accessed on 07/04/23

Belt and Road Forum for International Cooperation (2017) Full Text: Vision and actions on jointly building the Belt and Road (3). http://2017.beltandroadforum.org/english/n100/2017/0410/c22-45-3.html last accessed on 13/04/23

Belt and Road Portal (2017) The Belt and Road Ecological and Environmental Cooperation Plan. https://eng.yidaiyilu.gov.cn/zchj/qwfb/13392.htm last accessed on 06/04/23

Belt and Road Portal (2023) The Belt and Road. https://eng.yidaiyilu.gov.cn/ztindex.htm last accessed on 06/04/23

bnamericas (2023) Chinese firms in Peru's mining sector focusing on coper, iron ore and port developments. https://www.bnamericas.com/en/features/chinese-firms-in-perus-mining-sector-focusing-on-copper-iron-ore-and-port-developments last accessed on 07/04/23

Caceres Solis, M. (2022) "Belt and Road" Initiative in Peru: Impact, opportunities and challenges. CEEEP, Think Tank del Ejército del Perú.

Cambridge Dictionary (2023) Soft Power. https://dictionary.cambridge.org/de/worterbuch/englisch/soft-power last accessed on 07/04/23

Cardenal, P.J., **Mesežnikov,** G., **Pleschova**, G., **Kucharczyk**, J. (2017) Sharp Power. Rising Authoritarian Influence. National Endowment for Democracy.

Castro Herrera, F. (2022) China's 14th Five-Year Plan reveals an Escalation of Great Power Competition. A Threat to the Security Environment in Latin America.

Champion, M.Y. (2001) Nationalization and privatization in Peru: Socio-Economic Images in Perpetual Conflict? In: The Journal of Socio-Economics, p. 517-532. FL, USA.

Cheung, E.(2023) CNN. Honduras establishes Diplomatic Ties with China, severs them with Taiwan. https://edition.cnn.com/2023/03/25/asia/honduras-cuts-diplomatic-ties-with-taiwan-intl-hnk/index.html last accessed on 07/04/23

China-CELAC Forum (2016) Basic Information about China-CELAC Forum. Department of Latin America and Caribbean Affairs, Ministry of Foreign Affairs of China.

China-CELAC Forum (2018) Introduction of the China-CELAC Forum. http://www.chinacelacforum.org/eng/zgjj_2/201803/t20180305_6552517.htm last accessed on 07/04/23

China-CELAC Forum (2021) China-CELAC Joint Action Plan for Cooperation in Key Areas (2022-2024) http://www.chinacelacforum.org/eng/zywj_3/202112/t20211209_10465116.htm last accessed on 07/04/23

China Index (2022) China Index 2022. Measuring PRC Influence Around the Globe. https://china-index.io/ last accessed on 07/04/23

Clark, R. (2010) World-System Mobility and Economic Growth, 1980-2000. In: Social Forces, 88(3), p.1123-1152. University of North Carolina Press.

Congressional Research Service (2015) China's Mineral Industry and U.S. Access to Strategic and Critical Minerals: Issues for Congress.

Council on Foreign Relations. **Merrow**, W. (2022) China's Growing Influence in Latin America. https://www.cfr.org/backgrounder/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri last accessed on 08/04/23

Creutzfeldt, B.H. (2016) Not all Plain Sailing: Opportunities and Pitfalls for Chinese Investments in Peru. In: Asian Perspective, Vol.40, Nr.4, p.603-626.

Cuddington, J.T., **Ludema**, R., **Jayasuriya**, S.A. (2002) Prebisch-Singer Redux. Office of Economics Working Paper. U.S. International Trade Commission, Washington, DC.

DAR (2020) Indigenous Platform asks for an Environmental Chapter to be Introduced in the FTA Peru-China https://dar.org.pe/indigenous-platform-asks-for-an-environmental-chapter-to-be-included-in-the-fta-peru-china/ last accessed on 07/04/23

Dialogo Chino (2022) Peru's Ambassador to China: "The FTA with China is becoming obsolete".https://theglobalamericans.org/2022/08/the-evolution-of-perus-multidimensional-challenges-part-iii-engagement-with-china/ last accessed on 07/04/23

Duesterberg, T. (2022) The Mixed Record of China's Belt and Road Initiative. https://aspeniaonline.it/the-mixed-record-of-chinas-belt-and-road-initiative/ last accessed on 07/04/23

Dussel Peters, E. (2019) China's Recent Engagement in Latin America and the Caribbean: Current Conditions and Challenges. The Carter Center.

Dussel Peters, E. (2021) Monitor of Chinese Infrastructure in Latin America and the Caribbean 2021.

Dussel Peters, E., **Jenkins**, R. (2006) The Impact of China on Latin America and the Caribbean.

Dussel Peters, E., **Jenkins**, R. (2009) China and Latin America. Economic relations in the twenty-first century. Deutsches Institut für Entwicklungspolitik.

Dussel Peters, E. **Armony**, A.C., **Cui**, S. (2018) Building Development for a new Era. China's Infrastructure Projects in Latin America and the Caribbean. Asian Studies Center, University of Pittsburg.

Ellis, E. (2022) The Evolution of Peru's Multidimensional Challenges, Part III: Engagement with China. https://theglobalamericans.org/2022/08/the-evolution-of-perus-multidimensional-challenges-part-iii-engagement-with-china/ last accessed on 07/04/23

Embassy of the PRC in the Republic of the Philippines (2016) Xi Jinping Holds Talks with President Pedro Kuczynski of Peru. http://ph.china-embassy.gov.cn/eng/chinew/201611/t20161124_1163526.htm last accessed on 07/04/23

Embassy of the PRC in the Kingdom of Sweden (2023) Qin Gang and Foreign Minister of Honduras Eduardo Enrique Reina Sign Joint Communiqué on the Establishment of Diplomatic Relations Between the People's Republic of China and the Republic of Honduras http://se.china-embassy.gov.cn/eng/zgxw_0/202303/t20230327_11049459.htm last accessed on 08/04/23

Embassy of the PRC in Peru (2022) Comunicado de la Embajada de China en el Peru sobre declaraciones separatistas de la administracion del Partido Progresista Democratico (PPD) de Taiwan. http://pe.china-embassy.gov.cn/esp/sghd/202009/t20200902_4464361.htm last accessed on 08/04/23

Estrada Terrones, M. (2022) Peruvian Interests and the "Belt and Road Initiative". CEEEP, Think Tank del Ejército del Perú.

EY & Ministry of Foreign Affairs of Peru (2014/2015) Peru's Mining & Metals Investment Guide.

EY & Ministry of Foreign Affairs of Peru (2015/2016) Peru's Mining & Metals Investment Guide.

EY & Ministry of Foreign Affairs of Peru (2017/2018) Peru's Mining & Metals Investment Guide.

EY & Ministry of Foreign Affairs of Peru (2019/2020) Peru's Mining & Metals Investment Guide.

EY & Ministry of Foreign Affairs of Peru (2020/2021) Peru's Mining & Metals Investment Guide.

EY & Ministry of Foreign Affairs of Peru (2021) Peru's Business and Investment Guide.

EY & Ministry of Foreign Affairs of Peru (2022/2023) Peru's Mining & Metals Investment Guide.

EY & Ministry of Foreign Affairs of Peru (2023/2024) Peru's Mining & Metals Investment Guide.

Finance Center for South-South Cooperation (2015) Global South Countries (Group of 77 and China). http://www.fc-ssc.org/en/partnership_program/south_south_countries last accessed on 08/04/23

Fonseca, B., **House of Representatives** (2019) Dollar Diplomacy or Debt trap? Examining China's Role in the Western Hemisphere. Hearing before the Subcommittee on the Western Hemisphere, Civilian Security, and Trade. Of the Committee on Foreign Affairs, House of Representatives. 116th Congress. First Session. Serial No. 116-36.

Fundacion Andres Bello (2022) Disputes between the Chinese Mining Company "Las Bambas" and Peruvian Indigenous Communities. https://fundacionandresbello.org/en/news/peru-%F0%9F%87%B5%F0%9F%87%AA-news/disputes-between-the-chinese-mining-company-las-bambas-and-peruvian-indigenous-communities/ last accessed on 08/04/23

Garver, R. (2021) China's Belt and Road Initiative is about Profit, not Development, Study finds. https://www.voanews.com/a/china-s-belt-and-road-initiative-is-about-profit-not-development-study-finds/6252992.html last accessed on 08/04/23

Globalsecurity.org (2023) China-Peru Relations. https://www.globalsecurity.org/military/world/peru/forrel-prc.htm last accessed on 08/04/23

Gonzalez-Vicente, R. (2012) The Political Economy of Sino-Peruvian Relations: A New Dependency?

Gorin, Z. (1985) Socialist Societies and World System Theory: A Critical Survey. Science & Society, Vol. XLIX, Nr.3.

Government of Peru (1991) Ley de Promoción de las Inversiones Extranjeras. Decreto Legislativo N.662.

Government of Peru (1992) Ley de Promoción de Inversiones en el Sector Minero. Decreto Legislativo Nr. 708.

Government of Peru (2019) Peru participa activamente en la Franja y la Ruta de China https://www.gob.pe/institucion/mincetur/noticias/27795-peru-participa-activamente-en-la-franja-y-la-ruta-de-china last accessed on 08/04/23

Government of Peru and Government of the People's Republic of China (1994) Bilateral Investment Treaty.

Government of Peru and Government of the People's Republic of China (2009) Free Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Peru.

Green Finance and Development Center (2022) Countries of the Belt and Road Initiative. https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/ last accessed on 08/04/23

Green Finance and Development Center (2023) China Belt and Road (BRI) Investment Report 2022 https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2022/ last accessed on 08/04/23

Gurmendi, A. (1997) Minerals Yearbook. Peru. https://www.usgs.gov/centers/national-minerals-information-center/south-america#pe last accessed on 08/04/23

Gurmendi, A. (2018) Minerals Yearbook. Peru. https://www.usgs.gov/centers/national-minerals-information-center/south-america#pe last accessed on 08/04/23

Harris, R.L. (2015) China's Relations with the Latin American and Caribbean Countries. A Peaceful Panda Bear instead of a roaring Dragon.

Hesse-Biber, S. (2022) Mixed Methods Research Designs in Qualitatively Driven Research. In: Flick, U. (2022) The SAGE Handbook of Qualitative Research Design. Sage Publications ltd.

Hirschman, A.O. (1945) National Power and the Structure of Foreign Trade. University of California Press.

Humphreys, D. (2018) In search of a new China: Mineral Demand in South and Southeast Asia. In: Miner Econ (2018) 31, p.103-112.

ILO (1989) Indigenous and Tribal Peoples Convention, Nr.169 https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312314 last accessed on 08/04/23

IMF (2022) World Economic Outlook (WEO) Frequently asked questions. How does the WEO categorize advanced versus emerging market and developing economies? https://www.imf.org/external/pubs/ft/weo/faq.htm#q4b last accessed on 08/04/23

Irwin, A., **Gallagher**, K.P. (2013) Chinese Mining in Latin America: A Comparative Perspective. In: The Journal of Environment & Development, Vol.22, Iss.2, p. 207-234. Sage Publications.

ITC Trade Map (2023) Trade Map. Trade Statistics for International Business Development. https://www.trademap.org/Country_SelProductCountry_Map.aspx?nvpm=1%7c156%7c%7c%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c1%7c1%7c2%7c1%7c1%7c3 last accessed on 08/04/23

Kufakurinani, U., **Kvangraven**, I.H., **Santana**, F., **Styve**, M.D. (2017) Dialogues on Development. Volume 1: On Dependency. INET.

Li, X. (2016) Understanding China's success: "Embeddedness with Chinese characteristics" In: Asian Culture and History, Vol.8, Nr.2. Canadian Center for Science and Education.

Li, X. (2017) The Rise of Emerging Powers & China and the Enlargement of "Room for Maneuver" and "Upward Mobility". Rising Powers in Global Governance. https://risingpowersproject.com/the-rise-of-emerging-powers-china-and-the-enlargement-of-room-for-maneuver-and-upward-mobility/ last accessed on 08/04/23

Lin, Z. (2021) Peru - The People's Map of Global China. https://thepeoplesmap.net/country/peru/ last accessed on 08/04/23

Lopes Afonso, D., **Quinet de Andrade Bastos**, S., **Salgueiro Perobelli,** F. (2021) Latin America and China: mutual benefit or dependency?

Malkawi, B. (2020) China's Raw Materials Strategy. The Next Chapter in the U.S.-China Rivalry? https://www.policyforum.net/chinas-raw-materials-strategy/ last accessed on 08/04/23

Ministry of Commerce of the People's Republic of China (2023) China FTA Network: China-Peru FTA. http://fta.mofcom.gov.cn/topic/enperu.shtml last accessed on 08/04/23

Ministry of Energy and Mines of Peru (2020) 2020, Anuario Minero. Reporte Estadístico.

Ministry of Energy and Mines of Peru (2021) 2021, Anuario Minero. Reporte Estadístico.

Ministry of Foreign Commerce and Tourism of Peru (2021) Reporte de Comercio Bilateral. Anual 2021. Peru-China. Accessible on http://www.acuerdoscomerciales.gob.pe/estadisticas.html last accessed on 08/04/23

Ministry of Foreign Commerce and Tourism of Peru (2022) Reporte de Comercio Bilateral III Trimestre 2022. Peru-China. Accessible on

Ministry of Foreign Commerce and Tourism of Peru (2023) Acuerdos Comerciales del Peru / Inicio, Beneficios del TLC, Sobre el Acuerdo. https://www.acuerdoscomerciales.gob.pe/En_Vigencia/China/inicio.html last accessed on

08/04/23

Ministry of Foreign Affairs of the PRC (2016) China and Peru sign Joint Action Plan between two Governments. https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/3447_665449/3513_665118/3515_665122/201611/t20161125_596482.html last accessed on 08/04/23

Ministry of Foreign Affairs of the PRC (2018) Wang Yi and Minister of Foreign Affairs of Peru hold the 10th political Consultation Between the Two Foreign Ministries. https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/3447_665449/3513_665118/3515_665122/201808/t20180830_596494.html last accessed on 08/04/23

Ministry of Foreign Affairs of the PRC (2021) Wang Yi speaks with Peruvian Foreign Minister Oscar Maurtua on the Phone. https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/3447_665449/3513_665118/3515_665122/202112/t20211224_10475269.html last accessed on 08/04/23

Ministry of Foreign Affairs of the PRC (2022) From the three Inca Moral Precepts to the Eight Principles. – A Peruvian Journalist's Significant Contribution to the Establishment of the China-Peru Diplomatic Relations. https://www.fmprc.gov.cn/mfa_eng/topics_665678/zggcddwjw100ggs/jszgddzg/202208/t20220830_10757632.html last accessed on 08/04/23 last accessed on 08/04/23

Ministry of Foreign Affairs of the Republic of China (Taiwan) (2023) Diplomatic Allies. https://en.mofa.gov.tw/AlliesIndex.aspx?n=1294&sms=1007 last accessed on 08/04/23
http://www.acuerdoscomerciales.gob.pe/estadisticas.html last accessed on 08/04/23

Mission of the People's Republic of China to the European Union (2022) Questions and Answers Concerning the Taiwan Question (2): What is the one-China Principle? What is the Basis of the One-China Principle? http://eu.china-mission.gov.cn/eng/more/20220812Taiwan/202208/t20220815_10743591.htm#:~:text=What%20is%20the%20basis%20of%20the%20one%2DChina%20principle%3F,-2022%2D08%2D15&text=The%20one%2DChina%20principle%20has,representing%20the%20whole%20of%20China last accessed on 08/04/23

Mody, A., **IMF** (2004) What is an emerging market? IMF Working Paper WP/04/177

Myers, M., **House of Representatives** (2019) Dollar Diplomacy or Debt trap? Examining China's Role in the Western Hemisphere. Hearing before the Subcommittee on the Western Hemisphere, Civilian Security, and Trade. Of the Committee on Foreign Affairs, House of Representatives. 116th Congress. First Session. Serial No. 116-36.

National Development and Reform Commission, Ministry of Foreign Affairs, Ministry of Commerce of the People's Republic of China (2015) Full Text: Action Plan on the Belt and Road Initiative.
http://english.www.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm last access on 08/04/23

Novak, F., **Namihas**, S. (2022) China's Presence in the South American Region. Its Implications in the Field of Security. Policy Network on Security between Peru and its neighbors, Policy Paper Nr.5.

OEC (2023) https://oec.world/en last accessed on 04/04/2023

- Where does Peru export Copper Ore to? 2019, 2021
  https://oec.world/en/visualize/tree_map/hs92/export/per/show/52603/2019/ last accessed on 08/04/23
  https://oec.world/en/visualize/tree_map/hs92/export/per/all/52603/2021/ last accessed on 08/04/23
- What does Peru export to China? 1995, 2003, 2021
  https://oec.world/en/visualize/tree_map/hs92/export/per/chn/show/2021/ last accessed on 08/04/23
- What does Peru export to China 1998-2020?
  https://oec.world/en/visualize/stacked/hs92/export/per/chn/show/1998.2020/ last accessed on 08/04/23
- What does China export to Peru? 1998-2020
  https://oec.world/en/visualize/stacked/hs92/export/chn/per/show/1998.2020/ last accessed on 08/04/23
- Where does Peru export Mineral Products to? 2020
  https://oec.world/en/visualize/tree_map/hs92/export/per/show/5/2020/ last accessed on 08/04/23
- Bilateral Trade Data: China and Peru 2019
  https://oec.world/en/profile/bilateral-country/per/partner/chn?redirect=true&dynamicBilateralTradeSelector=year2019 last accessed on 08/04/23

OECD (2018) China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape. OECD Business and Finance Outlook 2018.

OECD (2023) Foreign direct investment (FDI). https://www.oecd-ilibrary.org/finance-and-investment/foreign-direct-investment-fdi/indicator-group/english_9a523b18-en last accessed on 08/04/23

Pal, M. (2017) Marxism. In: McGlinchey, S., Walters, R., Scheinpflug. C. (eds.) (2017) International Relations Theory. E-International Relations Publishing.
Paquin, S. (2021) Theories of International Political Economy. An Introduction. Oxford University Press.
Peru21 (2022) Embajador de China en Perú: Las Bambas no está dispuesta a dar más dinero a comunidades https://peru21.pe/economia/las-bambas-embajador-de-china-en-el-peru-senala-que-minera-no-esta-dispuesta-a-dar-mas-dinero-a-comunidades-rmmn-noticia/#:~:text=El%20embajador%20de%20China%20en%20el%20Per%C3%BA%2C%20Liang,productiva%20de%20la%20minera%20en%20los%20%C3%BAltimos%20meses. Last accessed on 08/04/23
Piccone, T. (2016) The Geopolitics of China's Rise in Latin America. Geopolitics and Global Issues, Paper 2. Brookings.
Piccone, T. (2020) China and Latin America: A Pragmatic Embrace. Brookings.edu. https://www.brookings.edu/wp-content/uploads/2020/07/FP_20200720_china_latin_america_piccone_v2.pdf last accessed on 08/04/23
Polga-Hecimovich, J., **GIS** (2022) China's evolving economic footprint in Latin America. https://www.gisreportsonline.com/r/chinas-economic-power-grows-in-latin-america/ last accessed on 08/04/23
ProInversion (2022) Estadisticas: Saldo de Inversion Extranjera Directa por Pais de Domicilio 1980-a diciembre 2022/Saldo de Inversion Extranjera Directa Por Sector Destino 1980-a diciembre 2022. https://www.investinperu.pe/es/invertir/estadisticas-generales/inversion-extranjera last accessed on 08/04/23
Ratigan, K. (2021) Are Peruvians enticed by the "China Model"? Chinese Investment and Public Opinion in Peru. In: Studies in Comparative and International Development 56:87-111.
Ritsert, J. (1972) Inhaltsanalyse und Ideologiekritik. Ein Versuch über kritische Sozialforschung. Athenäum-Fischer, Frankfurt am Main.
Salazar Valdivia, C. (2019) Between Geopolitics and Sustainability: Is a new Framework of Cooperation for Sustainability possible in Trade Relations between China and Peru?
Sanborn, C., **Yong,** A. (2013) Documento de Discusión. Peru's Economic Boom and the Asian Connections. Washington, DC.
Sanborn, C., **Chonn Ching**, V. (2017) Chinese Investments in Peru's Mining Industry: Blessing or Curse? In: Ray, R. Gallagher, K., Lopez, A., Sanborn, C. (edts.) China and

Sustainable Development in Latin America: The Social and Environmental Dimension. p.183-226. Cambridge University Press.
Schreier, M. (2012) Qualitative Content Analysis in Practice. Sage Publications ltd.
Senate of the United States (2019) H.R. 1704. 116th Congress, 1st Session. "Championing American Business Through Diplomacy Act of 2019".
Shougang Group (2018) Shougang Hierro Peru's 10-Million-Ton Mineral Concentrates Expansion Project Completed https://www.shougang.com.cn/en/ehtml/ShougangNews/20181030/1152.html last accessed on 05/04/23
Shougang Group (2023) Shougang Hierro Peru S.A.A. https://www.shougang.com.cn/en/ehtml/InternationalBusiness/20170329/857.html last accessed on 05/04/23
Silk Road Briefing (2022) Nicaragua Joins China's Belt and Road Initiative. https://www.silkroadbriefing.com/news/2022/01/16/nicaragua-joins-chinas-belt-and-road-initiative/ last accessed on 08/04/23
Singer, H.W. (1950) The Distribution of Gains between Investing and Borrowing Countries. The American Economic Review, Vol.40, Nr.2, p.473-485
Singh, S. (2020) Analyzing China's Belt and Road Initiative from a World Systems Perspective. In: The Observer (2020) Globalization vs. Nationalism. XVII.II. https://issuu.com/queensio/docs/observer_17.2_final-2/s/11336116 last accessed on 08/04/23
Sires, A., **House of Representatives** (2019) Dollar Diplomacy or Debt trap? Examining China's Role in the Western Hemisphere. Hearing before the Subcommittee on the Western Hemisphere, Civilian Security, and Trade. Of the Committee on Foreign Affairs, House of Representatives. 116th Congress. First Session. Serial No. 116-36.
Smith, C.H., **House of Representatives** (2019) Dollar Diplomacy or Debt trap? Examining China's Role in the Western Hemisphere. Hearing before the Subcommittee on the Western Hemisphere, Civilian Security, and Trade. Of the Committee on Foreign Affairs, House of Representatives. 116th Congress. First Session. Serial No. 116-36.
Song, Y., **CELAC** (2022) Speech by Chinese Ambassador to Peru Mr. Song Yang at the Reception Celebrating the 73rd Anniversary of the Founding of the PRC.http://www.chinacelacforum.org/eng/zgtlmjlbgjgx_1/202210/t20221017_10784801.htm last accessed on 08/04/23

Stallings, B. (2020) Dependency in the Twenty-First Century? The Political Economy of China-Latin America Relations. Watson Institute for International and Public Affairs, Brown University. Cambridge University Press.

State Council of the PRC (2014) China's Foreign Aid (2014) http://english.www.gov.cn/archive/white_paper/2014/08/23/content_281474982986592.htm last accessed on 08/04/23

State Council of the PRC (2021) China's International Development Cooperation in the new Era. http://english.www.gov.cn/archive/whitepaper/202101/10/content_WS5ffa6bbbc6d0f72576943922.html last accessed on 08/04/23

Strategic Comments (2018) China's Belt and Road Initiative in Latin America and the Caribbean. Vol.24.

Stratfor (2017) The Geopolitics of China. Austin, Texas.

Tulchin, J.S. (2018) China's profile is rising in Latin America. https://www.gisreportsonline.com/r/china-latin-america-economy/ last accessed on 08/04/23

UN Comtrade (2023) UN Comtrade Database. https://comtrade.un.org/labs/data-explorer/ last accessed on 05/04/23

United Nations Office for South-South Cooperation (2023) About South-South and Triangular Cooperation. https://unsouthsouth.org/about/about-sstc/#:~:text=South%2DSouth%20cooperation%20is%20a%20manifestation%20of%20solidarity%20among%20peoples,2030%20Agenda%20for%20Sustainable%20Development. Last accessed on 08/04/23

U.S.-China Economic and Security Review Commission (2021) Chapter 1, Section 2: China's Influence in Latin America and the Caribbean. In: 2021 Annual Report to Congress, p.69-119.

U.S. Congressional Research Service (2021) China's Engagement with Latin America and the Caribbean.

Walker, C., **House of Representatives** (2019) Dollar Diplomacy or Debt trap? Examining China's Role in the Western Hemisphere. Hearing before the Subcommittee on the Western Hemisphere, Civilian Security, and Trade. Of the Committee on Foreign Affairs, House of Representatives. 116th Congress. First Session. Serial No. 116-36.

Wallerstein, I. (1974) Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century. The Modern World-System I. University of California Press.

Wallerstein, I. (1976) Semi-peripheral countries and the contemporary world crisis. Theory and Society (3) p.461-483. Elsevier Scientific Publishing Company, Amsterdam.

Wallerstein, I. (1979) The Capitalist World-Economy. Essays by Immanuel Wallerstein. Cambridge University Press.

Wallerstein, I. (2006) World-Systems Analysis. An Introduction. 4th Printing. Duke University Press.

Wallerstein, I. (2009) The West, Capitalism and the modern World-System. Cambridge University Press. In: Brook, T., Blue, G. (eds.). China and Historical Capitalism. p.10-56.

White, H. (2017) Without America: Australia in the new Asia. Quarterly Essay, 68. https://www.quarterlyessay.com.au/essay/2017/11/without-america/extract last accessed on 08/04/23

White House (2017) National Security Strategy of the United States of America.

White House (2022) National Security Strategy.

WITS (2023) Databank https://wits.worldbank.org/Default.aspx?lang=en

- China Mineral Imports by Country in US Thousand Dollars. https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2018/TradeFlow/Import/Partner/by-country/Product/25-26_Minerals last accessed on 05/04/23
- Peru Product Exports to China 2020 https://wits.worldbank.org/CountryProfile/en/Country/PER/Year/2020/TradeFlow/Export/Partner/CHN/Product/all-groups last accessed on 05/04/23

World Bank (2023) Foreign Direct Investment, net Inflows (% of GDP) - Peru https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2021&locations=PE&start=1970 last access on 08/04/23

Xi, J., Embassy of the PRC in Ecuador (2016) Xi Jinping publica artículo firmado en medio de comunicación peruano http://ec.china-embassy.gov.cn/esp/jbwzlm/xwdt/201611/t20161120_5004827.htm last accessed on 08/04/23

Yoho, T., **House of Representatives** (2019) Dollar Diplomacy or Debt trap? Examining China's Role in the Western Hemisphere. Hearing before the Subcommittee on the Western Hemisphere, Civilian Security, and Trade. Of the Committee on Foreign Affairs, House of Representatives. 116th Congress. First Session. Serial No. 116-36.

Zhang, Z. **, Gao,** Y., **IMF** (2015) Emerging Market Heterogeneity: Insights from Cluster and Taxonomy Analysis. IMF Working Paper WP/15/155.

Abstract

This thesis examines the politico-economic relations between China and Peru, based on China's engagement in the Peruvian mining sector.

China's interest in the entire region of Latin America has been growing since the 1990s. Peru as well as many other countries in the region has a great wealth of minerals that China needs for its industrialization. Especially since the twenty-first century, Chinese investments in the Peruvian mining sector have been increasing and China has become Peru's main trading partner. The changing dynamics between China and Peru, based on China's growing need for minerals, are analyzed by using two different theoretical frames and by referring to official documents signed by both countries since the 1990s, such as the Free Trade Agreement and the Bilateral Investment Treaty. The methods applied for the analysis are qualitative and quantitative content analysis.

The goal of this thesis is to find out to what extent the politico-economic relations between China and Peru are influenced by China's increasing demand for minerals. Other topics analyzed in this thesis include dependency dynamics, Sino-Peruvian South-South cooperation, and finally, the geopolitical impacts of China's growing demand for minerals in Peru, with a focus on the reactions of the United States to the rise of China in the region.

After my analysis, I can conclude that the politico-economic relations were strengthened and promoted due to China's need for minerals. However, Peru was mostly impacted negatively by these dynamics. It has developed a dual dependency on China as its main trading partner and on minerals as its most important export good. Peru's specialization in its mining sector keeps it from developing other sectors that would be important for its industrialization. While the politico-economic relations are strengthened through South-South cooperation, the Chinese presence is growing in different sectors, influencing the public opinion of Peruvians. Due to Peru siding more and more with China, the United States feels the need to intervene and regain its power in the whole region of Latin America. This could result in new triangular relations between Peru, China and the U.S., which can be beneficial for the diversity of Peru's economy and its independence in the future.

Abstract (Deutsch)

In dieser Masterarbeit werden die politökonomischen Beziehungen zwischen China und Peru untersucht, basierend auf Chinas Interesse am peruanischen Bergbausektor.

Das Interesse Chinas an der gesamten Region Lateinamerikas ist seit den 1990er Jahren stetig gewachsen. Peru sowie viele andere Länder in der Region besitzen eine große Menge an Mineralien, die China für seine Industrialisierung braucht. Besonders seit dem einundzwanzigsten Jahrhundert sind chinesische Investitionen im peruanischen Bergbausektor gestiegen, und China ist mittlerweile zu Perus wichtigstem Handelspartner geworden. Die sich verändernde Dynamik zwischen China und Peru, welche auf Chinas wachsendem Bedarf an Mineralien basiert, wird in dieser Arbeit mithilfe zweier unterschiedlicher Theorien analysiert. Es werden zur Analyse auch Dokumente, die zwischen Peru und China seit den 1990er Jahren unterschrieben wurden und welche für die politökonomischen Beziehungen von Bedeutung waren, beigezogen. Die angewandte Methode zur Analyse ist die qualitative und quantitative Inhaltsanalyse.

Das Ziel dieser Arbeit ist es, herauszufinden, inwiefern Chinas wachsende Nachfrage an Mineralien die politökonomische Beziehung zwischen China und Peru beeinflusst. Andere Themen, die für das Beantworten der Frage wichtig sind und deshalb auch behandelt werden, sind Dependenz-Dynamiken, die chinesisch-peruanische Süd-Süd-Kooperation und schließlich die geopolitischen Auswirkungen von Chinas steigender Nachfrage an peruanischen Mineralien. Hierbei konzentriere ich mich auf die Reaktionen der USA gegenüber Chinas wachsendem Einfluss in der Region.

Nach meiner Analyse kann ich schlussfolgern, dass die politökonomischen Beziehungen zwischen China und Peru durch Chinas Nachfrage an Mineralien gestärkt wurden. Jedoch haben diese Dynamiken für Peru viele negativen Folgen. Peru hat eine zweifache Abhängigkeit zu China entwickelt: Einerseits ist Peru abhängig von China als Haupthandelspartner und andererseits ist Peru abhängig von Mineralien als wichtigstes Exportgut. Die Spezialisierung Perus auf seinen Rohstoffsektor hält das Land davon ab, andere Sektoren auszubauen, die für seine Industrialisierung wichtig wären. China gewinnt auch durch die wachsende Süd-Süd-Kooperation in Peru an Einfluss, sowohl im Rohstoffsektor als in anderen Bereichen. Da die Bevölkerung und die Regierung Perus sich immer mehr auf die Seite Chinas stellen, möchten die Vereinigten Staaten eingreifen und wieder an Macht gewinnen. Dies könnte darin enden, dass die USA wieder mehr Handel mit Peru betreibt und mehr investieren wird, was sich positiv auf Perus Unabhängigkeit und wirtschaftliche Vielfalt auswirken würde.