

Developing Countries in International Relations

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PERU IN 2050

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Table of contents

POLITICAL AND SOCIAL SITUATION – *Charline Boulaire*

General political features

Rule of law and legal system

Human development

Inequalities and social conflicts

ECONOMIC SITUATION – *Veronica Serna Leal*

POPULATION – *Veronica Serna Leal*

RELATION WITH NEIGHBORING COUNTRIES – *Charlotte Heim*

Economic relations

Political relations

REGIONAL AND GLOBAL INFLUENCE – *Macarena Franco Vera*

Trade with neighborhood

Influence in the global spectrum

BIBLIOGRAPHY

POLITICAL AND SOCIAL SITUATION

- **General political features**

Peru in 2050 will have strengthened its democratic regime. Peru is currently among the “flawed democracy” with a score of 6,58/10 in the Democracy index¹. But if we follow the trend of the past few years, we can expect Peru to be in a “full democracy regime” by 2050 with a score superior to 8. According to the Freedom House, Peru is considered as a “free country” in terms of political rights, civil liberties and freedom. Peru appears to be on a very good path. The participation of the political parties in the legislative power will be more active and we can predict a better quality of the institutional framework and political efficiency. The governance effectiveness index is showing this trend: between 2005 and 2013, the governance effectiveness index increase by 73%². We foresee only an improvement in the next decades, making of Peru an exemplary country in the region. Peru Voice and accountability index³ already reflect a society in which the citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media with a index of 0,11 in 2014 which will continue to rise by 2050.

Peru will have however to face some issues to attain a more transparent and efficient governance. First, Peruvian parties are still highly fragmented and extremely personalized and it might take some times for the political competition to become more democratic. By 2050, the political regime will be more competitive. Moreover, the corruption is a serious scourge in Peru and particularly at the local level, where regional presidents will continue to gain political influence. Today, Peru is the 88th more corrupted countries on 167 with a score of 36/100⁴. The recent corruption scandals that had been bring to light has caused the popularity of Mr Humala and Ms Heradia to plummet, particularly the “Centralita” case involving political espionage and money laundering by a regional government and a businessman with ties to the President and the First Lady. Moreover, the influence of drug traffickers is particularly important. The trend of the control of corruption for the past few year is getting worst and worst, with a score of -0,59 in 2015⁵. However, with the improvement of the education system and more transparent political institutions, we can expect a shift in the situation by 2050.

¹ *Democracy Index 2015*, The Economist Intelligence Unit

² *Peru Governance effectiveness index*, Worldwide Governance indicator, The World Bank

² *Peru Governance effectiveness index*, Worldwide Governance indicator, The World Bank

³ *Peru Voice and accountability Index*, Worldwide Governance indicator, The World Bank

⁴ *Corruption perception index 2015*, Transparency international

⁵ *Peru Control of corruption index*, Worldwide Governance indicator, The World Bank

- **Rule of law and legal system**

The rule of law will increase and the quality of the legal system will improve. The justice will be more efficient, more transparent and the trials more fair and quicker. The index for Rule of Law in Peru is quickly improving, from -0,76 in 2007 to -0,55 in 2014⁶. It captures perceptions of the extent to which agents in Peru have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Today, only 30% of the population trust the judicial institutions, it will be more than 50% by 2050 according to the current trend. Middle classes will have access to courts more easily. Indeed, the cost of a trial is one of the first barriers for a middle-class Peruvian. Moreover, the length of a trial will considerably decrease⁷. We can also consider the development of the community justice program as an answer to the cultural and linguistic diversity in Peru.

- **Human development**

The United Nation Development Program foresees an improvement of 16% of the Human Development Index in Latin America by 2050. Peru, which is currently among the High Human Development category with a HDI of 0,734, will join the very High Human Development category by 2050, with a HDI superior to 0,8⁸. The improvement of the education system will be the main factor to this evolution as well as a better access to health system and a longer life expectancy.

- **Inequalities and social conflicts**

The inequalities and poverty will continue to decrease. According to the World Bank, the tendency showed by the GINI index is a clear decrease of the inequalities. The distribution of incomes will tend to a more equal situation and the extreme poverty will attain a level comparable to the developed countries.

Some social conflicts will remain. Because of the existence of ethnic and cultural minorities, especially in mountain or jungle zones, some regular episodes of acute social conflict in the provinces are expected.

⁶ *Peru Rule of law index*, Worldwide Governance indicator, The World Bank

⁷ *Problems of Access to Justice in Peru: Community Justice as Alternative ; Poder judicial comunal en los Andes y la Amazonía del Perú*, Antonio Peña Jumpa (2011)

⁸ *Projection on human development index growth by region*, United Nation Development Program (2013)

ECONOMIC SITUATION

Peru comes as a great surprise in *The World in 2050* by Karen Ward, as it jumps 20 places upward in order to be the twenty-sixth largest economy in the world by 2050. It is explained that it can maintain an average growth of 5.5% the next few decades, making it the best performer of the Andes region.

It jumps 20 places from 2010, when the size of its economy was of 85 billion in constant 2000 United States Dollars (USD). And as the economy number 26, its economy in 2050 will be of 735 billion in constant 2000 USD. The income per capita will grow from 2,913 USD in 2010, to 18,940 in 2050. More than five times what it was in 2010.

That is the good case scenario, the income per capita forecast if the government makes progress in improving economic infrastructure, catching up with the best infrastructures, than it can grow more than 5% for the next decades. Nevertheless, the income per capita forecasts if governments do not make progress in improving economic infrastructure, will go downhill: 4.6% on 2030, 3.9% on 2040, and 3.3% on 2050.

In that report⁹, they name 26 fast-growth countries. That means that they have more than 5% average growth in the best case scenario. But is not the only thing that Peru has going for its economy. Even though they have low level of development in 2016, it can and will do great progress because it has improving and great fundamentals. This fundamentals include fantastic rates of education and a good rule of law.

So the combination of strong fundamentals, plus being open to the technology available in the world, as Ward said in the report: “they should enjoy many years of ‘copy and paste’ growth ahead.”, and strong working population growth. It will be a 35% change in working population from 2010 to 2050, as the average growth will be of 5.5% for the next four decades.

Having said that, is important to look into the projections of population in 2050, as they affect the economy immensely.

POPULATION

There are different estimates of the population that Peru will have in 2050, but they are all above the 35 million. The World in 2050 predicts 39 million, 10 million more that in 2010.

⁹ Ward, K. (2012). *The World in 2050: From the top 30 to the top 100*. (online). HSBC Global Research. Obtained on the 16th of March, 2016 from: hsbc.com

While the Private Investment promotion agency¹⁰ calculates 40, 111, 000 people in 2050. The World Bank estimates 41,899 million¹¹, and the UN¹² estimates 42 121.5 thousands in 2050, almost double of the population calculated in 2000.

The average age of the population will be 39.6. So, the working population will be quite big. The World Bank estimates that 64% of the population will be of working age, so between 15 and 64 years old. While the UN predicts a dependency ratio of 57.4%. As the fertility rate gets down to 1.8 birth per woman, and the life expectancy goes up to 77.5 years old.

Apart from that, the National Strategic Planning Centre of Peru¹³, predict that 34.55 million people will be in the urban areas, while the rural area will not grow as much, as they will be just 6.87 million people. The consumer class will rise as well, the people living on more than 10 United States Dollars a day, in a prediction of 4% annual growth, there would be 30.5 million people as consumer class, 59% of the population, and in a 6% annual growth scenario, 70% of the population will be of consumer class by 2050.

RELATIONS WITH NEIGHBORING COUNTRIES

In 2050 Peru will be the twenty-sixth largest economy in the world and its average growth would be the best of the Andes region, it will be considered as a « new emerging ». But Peru it is not the only one in the Andes region to have good economic forecasting. Indeed, many of its borders neighbor, such as Ecuador and Colombia, have good projections too. That is why Peru already try to maintain good relations with its neighbors although it has not always been the case.

● Economic relations

According to a HSBC's report¹⁴, the Ecuador will be one of the 26 fast-growth countries just as Peru and Bolivia. These three countries are part of the Andean Community since its creation in 1969 as Colombia. One of it most important aspect concerning the commercial

¹⁰ 2013 *Doing buisness in Peru*, ProInversion, 2013 (online) <https://www.pwc.de/de/internationale-maerkte/assets/doing-business-in-peru.pdf>

¹¹ *Health Nutrition and Population Statistics: Population estimates and projections*, The World Bank, 2015 (online) <http://databank.worldbank.org/data/reports.aspx?source=health-nutrition-and-population-statistics:-population-estimates-and-projections>

¹² *World Population Ageing 1950-2050*, Population Division of United Nations, 2002 (online) <http://www.un.org/esa/population/publications/worldageing19502050/pdf/163peru.pdf>

¹³ *Peru 2021: OECD Member Country*, CEPLAN, 2015 (online) http://www.ceplan.gob.pe/sites/default/files/Documentos/peru_2021_-_pais_ocde_-_ingles_10-02-2015_final.pdf

¹⁴ *The World in 2050*, HSBC Global Research, January 2012

area is the free movement of goods between the four member countries. Besides, Peru has also instruments which facilitate the commercial bilateral relations with Ecuador and Bolivia such as The Trade and Navigation Treaty between Peru and Ecuador¹⁵ and the Treaty of economic cooperation for the formation of a common market between Peru and Bolivia^{[3]16}. Peru has also strong economic relations with Colombia considering that it is also part of Andean Community.

Chile and Brazil, the others neighbors, are already and will still be in 2050 growing economy but not as fast as Peru, Ecuador and Bolivia's. Colombia is part of the Andean Community but not Brazil and Chile. However Peru set up instruments, to make the commercial relations easier, such as a free market treaty with Chile and an agreement of partnership with the Mercosur, so with Brazil¹⁷, which allow the free access to the Mercosur market to 600 Peruvian products. The economic relations seem more restricted between Peru and Brazil.

One scenario would be that Peru, Bolivia and Ecuador will be the new impetus for Andean and Latin economy and so will pursue to have strong commercial relations, also with Colombia, in order to cope with Brazil, which is nowadays and still will be in 2050 the country from South America with the better economy. Brazil will keep strong relations with the members of Mercosur and with Chile. South America would be divided between Andean community and the Mercosur and its partners.

An other perspective would be the enlargement of the Mercosur to Peru, Ecuador and Bolivia. Thus relations between this wider group and United States may be strengthened in order to face China which will be in 2050 the first world economy surpassing the United States. One problem in this scenario is that Bolivia has always been anti-american, but that can evolve with a change in power, because the anti-american doctrine is maintain by the Bolivian president Evo Morales.

- **Political relations**

In 2050 relations between countries may be concerning more water than oil. The water resources will certainly be more rare and so water will become the new limited resource. In fact, South America will have one of the largest water footprints of consumption in 2050¹⁸. That is way conflict about Exclusive Economic Zone may occur or reappear such as the

¹⁵ *Relaciones Bilaterales de Peru y Ecuador*, Ministerio de Relaciones Exteriores del Peru

¹⁶ *Relaciones Bilaterales de Peru y Bolivia*, Ministerio de Relaciones Exteriores del Peru

¹⁷ *Le Pérou signe un accord avec le Mercosur*, Les Échos, 27th of August of 2003

¹⁸ *Water Footprint Scenarios for 2050*, A.E Ercin and A.Y Hoeckstra, September 2012

conflict between Peru, Bolivia and Chile. Indeed the three countries couldn't agree on the allocation of this resource. It is only six years after that Peru ask to the International Court of Justice in the Hague, so in 2014¹⁹, that this conflict has been solved. But nothing prevents that with a change in power in one of the three countries the decision will be contested.

Sustainable development will be one of the important political topics. There is already an agreement between Peru and Bolivia in order to decontaminate, clean, the Titicaca Lake. Moreover, Peru, Colombia and Brazil help each other in order to protect the Amazon forest that they share, even if it is mostly in Brazil, with the Program of Sustainable Landscapes^{[7]20}. The contamination of the water and the air knows no borders, that is why South American countries has to work together by adopting policies and/or programs in favor of the environment.

REGIONAL AND GLOBAL INFLUENCE

As mentioned earlier in 2050 Peru will be the twenty-sixth largest economy in the world and its average growth would be the best of the Andes region; this would bring a lot of power and focus on Peru.

- **Trade with neighbors**

Peru is one of the heads of the Andean Community of Nations, this intergovernmental organization created after the Cartagena treaty, what means that it has been functioning for more than 40 years. Bolivia, Peru, Venezuela, Columbia and Ecuador are their main members; the aim is to promote the expansion of markets and guarantee an effective economic development to the region²¹. This organization has faced the tension between these countries and still prevailed. The situation of Peru in 2050 due to its economic growth, it will bring more attention to this organization.

Because of the continuous growth of this countries there has been other countries that stay as observers or have associated already with this organization; such as Argentina, Brazil, Chile, USA, Mexico and many others.

They've created the Common Foreign Policy (CFP) of the Andean Community that is a key to achieving greater international presence and influence of the Andean countries instrument, allowing them to act together on the international stage, or negotiate together

¹⁹ Le Retour de la revendication maritime Bolivienne, CERISCOPE Frontières 2011

²⁰ Nuevo Programa regional para proteger la Amazonia, World Bank, October 2015

²¹ Andean Community of nations, International Democracy Watch.

with other countries and blocs of countries²². The CFP has helped and will continue to help Peru to grow economically in 2050, due to the cooperation between the countries.

- **Influence in the Global spectrum**

Peru in the 2050 would serve as an example of Political strategy. This will happen because by this year the territory of Arica, which has been in constant fight between Chile and Peru for many years, would be part of Peru again. Many internationalists have investigated this event and have stated that the actions of Peru are mostly in favor of recovering Arica for 2050.

Peru would be under the eye of the international system, because of the way they obtain Arica is through a pacific and creative initiative²³. Peru has been focusing in the town of Tacna, which is near to the border with Chile, almost next to Arica. The actions of Peru has implemented is to make the public services of this town better and cheaper knowing that the situation in Arica is the opposite; Chile doesn't put that much attention on this municipality what makes the people go to Tacna to work, shop and have their medical services done there. This interesting strategy is going to put Peru as an important influence for new and pacific territorial recovery.

²² *La Comunidad Andina: Una apuesta por nuestro futuro*. Comunidad Andina, 2006

²³ *Los movimientos peruanos que apuntan a recuperar Arica el 2050 y el abandono en que la tiene Chile*. El mostrador, January 2014

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