



PRODUCTIVE DIVERSIFICATION IN PERU

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PERUVIAN EXPORTS

- The top exports of Peru are:
 - Copper Ore(\$12B), and Refined Copper (\$1.77B),
 - Gold (\$7.13B),
 - Refined Petroleum(\$2.49B), (imports Refined Petroleum(\$2.82B) and Crude Petroleum(\$962M))
 - Zinc Ore (\$2.1B)
- The top export destinations of Peru are
 - China (\$11.7B),
 - the United States (\$6.77B),
 - Switzerland (\$2.47B), South Korea (\$2.19B) and Spain (\$2B).

LATIN AMERICAN ECONOMIC COMPLEXITY

- Mexico 21
- Brasil 37
- Costa Rica 49, Argentina 50, Uruguay 51, Colombia 53, Panama 56
- +60 Chile, El Salvador, Dominican Republic, Cuba
- Peru 81 (in between Indonesia and Vietnam)
- +100 Ecuador, Bolivia, Nicaragua

RATIONALE

- Mexico, Brasil, Argentina and Colombia easily explained by size, natural resources, geographical location, etc.
- Costa Rica, Uruguay, Panama?
- Peru, far behind its potential!!!

REACTION

- 2013 book:
- Ghezzi & Gallardo: What can be done with Peru?
- Book explored options for productive diversification
- Soon, the authors were invited to become ministers
- Productive diversification started based on productive policies

PRODUCTIVE POLICIES (RODRIK, 2018)

- ...We need to think of productive policies as an on-going process of strategic collaboration between private and public sectors, with the following goals in mind:
 - learning: what are the constraints faced by firms in different activities?
 - experimentation: what are the best ways of removing/compensating for the constraints?
 - coordination: are all relevant branches of government around the table and on board?
 - monitoring and evaluation: how well are the policy changes/interventions doing?
 - policy revision: does the learning get incorporated into new policies?

CHARACTERISTICS OF THE MODEL

- Under this model of decision-making, the government's relationship to firms does not take an arms' length form, as in the top-down model.
- But neither is the government captured by rent-seeking firms.
- The firms are responsible for developing plans of action that are in line with public objectives (e.g., employment expansion).
- In return, the government helps unblock private-sector constraints, while remaining accountable to society at large.

DIVERSIFICATION

- It is a risky operation because requires new learning and dealing with unfamiliar clients.
- Anyway, organizations walk this road to enhance its local and international market position.
- Through it the Enterprise reinvent itself accessing to new markets.
- This strategy considers producing what markets demand and not what the country is able to do.

COMMON PLACES ON DIVERSIFICATION:

- Diversification happens by itself.
- We are not ready to facilitate diversification.
- We need first to enhance institutions
- The best thing to do is to stick to what we know.
- First industrialize, then diversify.
- We shall provide “added value” to our raw materials.
- Diversification takes too long, is long term (20 years).
- Diversification implies tax breaks for strategic sectors.

“HOW” OF PRODUCTIVE DIVERSIFICATION IN PERU

Six main action lines

- 1. Executive round tables for fostering new economic motors.
- 2. Creation of a network of Tech Centers and other tools (non financial) to raise productivity of MSMBs.
- 3. Financial tools to enhance productivity of MSMBs.
- 4. Development of tools and incentives to Foster Innovation.
- 5. Creation of the National Quality Institute and strengthening of good quality infrastructure.
- 6. Development and promotion of modern Industrial Parks .

PRESENT STATE OF AFFAIRS IN PERU

UNIDO country program

Roadmap for Industrial Parks

National Strategy for Industrial Parks

- <https://www.unido.org/programme-country-partnership/peru>

CONCLUSIONS

According to Peruvian economist Pedro Barrientos:

- “Barriers are coming from the local agents, on how much they want to provide and support the process.
- Discussion can be centered in economic policies, production lines induced for export, productivity of production factors, internal factors that need to be solved or a mix of all of them.
- Even when application is slow and is left totally to the private investor, without considering an integrative process, it requires that political action is clear on the importance on export matrix change; otherwise it will continue with a vegetative growth that implies keeping the risk of primary export country.”

TAKEAWAY

- Economic complexity Atlas <http://atlas.cid.harvard.edu/countries/43>
- Hausmann, R., Santos, M.A. & Obach, J., 2017. [Appraising the Economic Potential of Panama: Policy Recommendations for Sustainable and Inclusive Growth.](#)
- Three elements stand out as cornerstones of that proposal:
 - (i) attracting and retaining qualified human capital;
 - (ii) maximizing the diffusion of know-how and knowledge spillovers, and
 - (iii) leveraging on public-private dialog to tackle coordination problems that are hindering economic activity



THANK YOU!
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