

**Peru**

## US raises concern with Peru over Chinese control of infrastructure

Beijing stands to control power supply to Lima and megaport serving Pacific



Cosco, China's state-owned shipping and logistics company, is building a deepwater port at Chancay, 70km north of Lima, that will be capable of berthing some of the world's largest cargo ships © Ernesto Benavides/AFP/Getty Images

**Michael Stott** in Bogotá and **Joe Daniels** in Lima 10 HOURS AGO

The US has expressed concern to Peru that China is gaining control over critical parts of the South American nation's infrastructure, including electricity supply to the capital Lima and a new megaport on the Pacific coast.

Chinese companies have been buying power, mining and port assets across Latin America in recent years but the scale of Beijing's investments in [Peru](#), along with their strategic position, has caused particular concern, said a senior US official. Washington has raised the issue with Lima directly.

"On the big geostrategic issues, the Peruvian government is not sufficiently focused on analysing the benefits and threats to the country," the official told the Financial Times on condition of anonymity.

The Peruvian prime minister's spokesperson did not respond to requests for comment but a source close to the government acknowledged the US concerns.

"The main issue is that . . . Chinese capital has acquired electricity, mining and other companies. Geopolitically speaking, their worries would be justified," the person said.

In April, Italian energy firm Enel announced it was selling its Peruvian electricity business, which supplies power to northern Lima, to China Southern Power Grid

business, which supplies power to northern Lima, to China Southern Power Grid International for \$2.9bn. The rest of Lima's electricity supply was sold to another Chinese company, Three Gorges Corporation, in 2020. Three Gorges also owns Chaglla, one of Peru's biggest hydroelectric dams.

Peru's National Industries Society has complained that if the Enel sale went through, it "would lead to a concentration of 100 per cent of Lima's electricity distribution market in the hands of the People's Republic of China". Peru's competition authority is reviewing the transaction.

In addition, [China](#)'s state-owned shipping and logistics company Cosco is building a deepwater port at Chancay, 70km north of Lima. It will be capable of berthing some of the world's largest cargo ships and displacing maritime traffic from Chile, Ecuador and Colombia's Pacific ports.

The initial phase of the project, eventually scheduled to cost \$3.6bn, is due to be inaugurated late next year, when President Xi Jinping visits Peru for the APEC summit.

Cosco has a 60 per cent stake in the megaport, while Peruvian mining company Volcan holds the rest. "It should be of great concern to the Peruvian government that all the back-end infrastructure of the Chancay port will be under the control of a foreign power," the official said.

Peru's transport minister Raúl Pérez-Reyes said his nation "is a sovereign country and establishes its international relations on that basis".

Noting that Peru's biggest trading partners were the US and China, he added: "Investments are welcome which respect our sovereignty and are in accordance with the changes which we need to minimise climate changes, accelerate the process of digital transformation and reduce inequality."

Washington has suggested to several Latin American countries that each one create a government committee to vet foreign investment in strategic sectors on grounds of national security, modelled on the inter-agency Committee on Foreign Investment in the United States, known as Cfius.

China's ambassador to Peru, Song Yang, has promoted the megaport project, saying recently that "China is betting that Chancay will become Peru's Shanghai".

But there is concern that Chancay may repeat a pattern seen elsewhere, in which Chinese companies build "dual use" port facilities designed principally for cargo

traffic, but large enough to be used by Beijing's navy to resupply warships.

The port was redesigned to allow greater capacity in 2018, the year before Cosco took a majority stake.

Gonzálo Ríos Polastri, deputy general manager of Cosco Shipping Ports Chancay Peru and a former Peruvian admiral, said China's investment in Chancay was "100 per cent commercial", adding: "This is an investment by private firms according to market rules. It can have different geopolitical readings but it is not an investment which has any kind of national security implication."

Beijing sees Peru as an important source of minerals for its resource-hungry economy and last year imported \$14bn worth of copper ore from the country, second only to Chile.

The Chinese government insists that commitment to mutual benefit is a cornerstone of its overseas infrastructure projects, an approach it contrasts with what it calls Washington's pursuit of hegemony and geopolitical advantage in Latin America. Song has called on Peruvian media to "fairly and objectively report" on China-Peru relations.

Chinese companies have taken stakes in ports across Latin America, as well as building 5G mobile networks and space monitoring stations. "They are on the 20-yard line to our homeland," General Laura Richardson, head of US Southern Command, said in August.

Evan Ellis, professor of Latin American Studies at the US Army War College, said the Chinese "are looking to remake the world for their own economic benefit . . . and port infrastructure is part of making that happen".

Ellis said he suspected the idea of using Chancay for military purposes "had occurred to the Chinese from the very beginning", though he thought the main motive was to capture a greater share of the logistics trade.

If Beijing decided in future that it needed a naval facility on the Pacific coast of the Americas, "Chancay is big, it's deep water and it's far enough away from the US" to be survivable in the event of hostilities, he said. It was "conceivable" that China could use it to resupply naval vessels, as already happened with the Chinese-built Hambantota port in Sri Lanka, Ellis added.

Chinese investors had raised US hackles by attempting in 2018-19 to [lease almost half of El Salvador's coastline](#) for a port and string of free zones. Washington pressed the

Salvadoran government to drop the idea, said diplomats familiar with the matter.

*Additional reporting by Ryan McMorrow in Beijing*

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