

Journal – Peruvian Business Travel Seminar 2009

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January 3

We arrived in Lima early this morning after an extremely long 4,000+ mile journey from Wisconsin. It's a beautiful sunny day near the Pacific Ocean with tourists bustling up the Spanish speaking streets in the municipality of Miraflores. The differences between the US are immediately noticeable as traffic behavior borders on insanity. There are taxis everywhere jockeying for position using 3 lanes when there are only 2, and cutting off each other while flying down tiny streets well over posted speed limits. I know I'm going to enjoy this town already. We took a guided tour of the city taking in all the sites of Lima including the Plaza De Armas square, some Inca ruins, shanty-towns, and Pacific beaches. It is incredible to see the different social make-up of this country as the town center is filled with people enjoying each other's company and taking a mid-day break for a siesta.

January 4

Today, we visited a "Mercado Negro" or black market where all sorts of pirated items are on sale for a fraction of their US cost. The market is a great example of the informal market here hard at work. Many shops shouted for our attention in order to attract our "gringo" wallets which they believe to be thick with tourist money. People overall seem very nice, and are quite interested in our thoughts on the newly elected President Obama. Later in the evening most of the group headed to a crowded park filled with water fountains, and laser displays. Many of the locals run through the fountains getting completely soaked. We seem to be a bit of a spectacle with 24 mostly Caucasian students walking around Lima as our photo is taken somewhat frequently.

January 5

Classes have begun discussing International Trade, and the newly signed Free Trade Agreement with the US. We are attending college at the Universidad Del Pacifico which is a very prestigious business school in Lima accepting only 2,500 students out of 60,000 applicants. It is incredible to hear about Peru's high GDP growth in recent years, and the continuing expansion of the economy the agreement will promote. The professor seems very confident that the agreement is the biggest step in years to make Peru a more globalized country. Later we visited the US Embassy to see how our country conducts international politics, and issues with a developing country like Peru. The security is very thick as threats, and attacks in developing countries around the world have made these measures necessary.

January 6

Class at the University is spent discussing money and inflation on the economy. In past years Peru has battled with terrible hyperinflation reaching over 7,000% in 1991. This shocked their economy and created a very dollarized environment which still exists today. The money supply is tightly regulated by the central bank where their goal is to stabilize inflation at 2% per year. We visited Peru's central

bank later in the afternoon to learn more about what the effect on past government decisions has had on economy, and the people.

January 7

Today, the class issue was the role of the state. Over the years, Peru has had several radical presidents, and even a militant government in the 60's. This has created a lack of governmental support by the people and caused terrorist groups like the Shining Path to emerge. For this reason, a strong central government is needed here, but with considerable decision making power given to each district where problems are very diverse because of the many climates. The main issue the state is dealing with is getting the strong GDP growth to help Peru more evenly in both Lima, and the western highlands where poverty is very high. This issue has created a gap in different region's people where the highlands often look to elect a very leftist president like Hugo Chavez, and Lima is much more free market orientated.

January 8

The final class this week was spent discussing labor markets and the large makeup of informality in business here in Peru. It is incredible to see all the street vendors selling snacks, jewelry, and Alpaca clothing. These businesses and the vast majority do not pay any taxes or have any formal business license. This creates a problem for Peru as the tax base is very small, and it does not have money to spend on infrastructure, education, and social services. Also informal businesses are limited in their ability to advertise, and grow since most employees are family only. In the afternoon we visited the Full Cotton Company which specialized in making high quality textiles mostly headed for the US. It was shocking to see clothing being made completely by hand, and for such low wages. The workers use a 48 hour standard workweek rather than a US 40 hour week. Many people in the informal market have to work 50+ hours to even pay for basic needs.

January 9

After our first week of classes comes a little relaxation with a field trip down to Ica, south of Lima is a complete desert. In the morning, we visited an Inca ruin atop a large hill overlooking the ocean called Pachumac. The ruins have a certain awe about them which it is difficult to explain, but it's certain they are works of art. Later, we stopped at a beautiful beach in the middle of nowhere to get some South American sun, and get beat up by giant 20 foot Pacific swells. Finally, many long hours later we arrive in the sand-dune covered landscape of Ica. Our hotel is in the middle of an Oasis surrounded by 700 foot dunes. This is truly a marvelous place so far from anything I have ever witnessed.

January 10

Today has been my favorite experience of the trip so far. We visited a winery that produces Pisco, the favorite and original brandy of Peru. Everyone here wants to know if you like the Pisco sours, and they are available every single restaurant/bar we visited. The owner of the winery spoke English well, and he was so happy to show us all that his business does to produce organic Pisco. They do it without machinery and every grape is picked by hand to be run through the gravity fed fermentation process. It

was incredible to see someone who was so happy about what they did even though he wasn't rich or famous. For him, it was the simple things in life, and he was so proud to share his winery with us. We ate a great meal within the grape foot press, and then headed back to the hotel to go for a ride on dune-buggies through the desert.

January 11

We are starting out heading back to Lima, but not before stopping in Paracas which is near islands where thousands of penguins, sea lions, and boobies live. It was quite a site to see birds nesting on an island so densely populated that the island looked like it was covered in a black moss. The island also serves as a large guano collecting ground for export to organic farms as an effective fertilizer. The nearby area is also an active fishing area for anchovies, and other small fish which is why Peru is a leading producer in the world of fishmeal.

January 12

It's Monday, and time to head back to the university for a class on Poverty which is a huge issue in Peru. Almost 40% of the population here lives on less than \$2 per day which is barely enough to provide basic needs like food and water. This causes many issues such as malnutrition, lack of education due to poor schools, and inequality breeding resentment among the poor. After class we visited the shanty-town of Villa El Salvador to learn more about the conditions there, and how people cope with poor conditions. 50/1,200 business in this municipality are formal causing a very small tax base and a lack of infrastructure which is quite obvious. There are few paved roads, water only in certain areas, and houses in poor repair. It is difficult to see such a large group of people living in such tough conditions, and it's an eye opener to realize how truly well-off we have it in the US but take it for granted.

January 13

Today's class concentrated on Financial Market, and the issues Peru faces with so many informal businesses. The entrepreneurs here have to rely on word-of-mouth if they are in the informal market, and often have difficulty obtaining a loan since there is no documented capital in their business. We then visited Hernando de Sot's institute where the goal is to solve the problem of no collateral in Peru by getting titles for properties and businesses. The idea is to provide titles, and then people can borrow and grow their enterprises. The institute has had success in Peru and abroad, which is why governments from all over the world have sought its expertise.

January 14

We headed to Backus Company which is a huge brewery here in Peru which completely dominates the industry. The facility was very modern, and looked like any Budweiser or Miller brewery you might find in the US. We then happily sampled product as we were educated on the history of the Peruvian beer market and its evolution. Later, after a siesta, we went back to the University for a Class on the environment. Peru faces issues such as Amazon deforestation, coastal water pollution, and highland soil decimation. These issues are finally being confronted unlike the past where environmental laws

were not enforced. Our professor explained that the free-trade agreement with the US has sped up environmental regulation since congress included clauses that made Peru work to stop pollution, and enforce its current regulation.

January 15

Today's class concentrated natural resources. Peru has a wealth of zinc, silver, lead, and guano. Because of its endowment of natural resources, Peru has achieved impressive growth the past few years, and has become a lead export of the above products. The importance of protecting these natural resources and using them wisely has become even more crucial as the environment takes a tumble. The resources have also created problems between people who work in the mines and those who don't since the pay is large compared to average jobs in town. The mines have also polluted drinking water, and causes health concerns. The second part of the day, we visited the Prestaclub which is a microcredit bank in Lima. The bank's goal is to finance small loans to businesses that normally can't obtain credit or are being charged extremely high rates of interest. The employees at the bank were all very young and respected recent graduates of Universidad del Pacifico.

January 16

Today, it was time for a break from classes, as we woke up at 2am to fly to Arequipa, a city among mountains and volcanoes. After taking a morning nap, we toured the city to enjoy beautiful white volcanic brick buildings and years of ancient history. Arequipa houses one of the oldest churches in South America where a convent still exists. The sun here is increasingly strong as we climb in altitude on our journey west across the altiplano. We are now in alpaca country with Inca people hand-making clothing, and selling jewelry much like their ancestors did hundreds of years ago. Later that evening we settled into our open-style Spanish hotel before making the long drive to Puno.

January 17

Across the large plateau we headed reaching altitudes of over 14,000 feet, and most of us feeling the effects of little oxygen. It's an amazing experience to see Alpaca herders so far from cities out on the plateau living in simplicity often with no electricity or water. They live a hard life with little protection from the powerful sun, and almost no water in the dry season. As we drive on to Puno, it's easy to see how this part of the country has resentment for Lima, and its wealth comparatively. Kids in this region often have to walk 2 hours to school, and most have left school by 10 years of age when they are able to actively participate herding llamas or alpaca. The weather is constantly changing: one second it is warm and sunny, and then suddenly clouds roll in and pour out rain. Later in the afternoon, we arrived to Puno, resting on Lake Titicaca. We took a boat out to visit the reed islands where the Uros live in peace. It's incredible to see a culture living on hand-laid reeds islands that use nature to make everything they have. We spent time with the locals while learning about their culture.

January 18

The heavy travel pace continues as we bus to Cusco for adventures on the Inca Trail and Machu Picchu. We stopped at several Inca ruins on the way down to the sacred valley and the gates of the

Inca people. The ruins are built with such care and quality that most still stand due to the concave and convex shape of the stones without using mortar. We also stopped at an Indian market to stock up on alpaca hats, gloves, or whatever looked comfortable. The snow capped mountains keep our attention on our long journey to Cusco across terrain that few of us have ever experienced. Late in the day, we arrive in Cusco, or “navel” as it means in Quechwin.

January 19

The morning started out with a city tour of the Inca’s home empire, and its many original intact walls. We visited market where locals were clamoring for us to check over their goods, and we went to the Plaza de Armas of Cusco. The plaza is the heart of the city with live music, shops, restaurants, night clubs, and many other forms of entertainment. The city is bustling with tourists bound to hike the Inca trail and on to Machu Picchu. At night, we all head out to Mama Africa, a popular dance club or “discoteca” that is frequented by swarms of locals and tourists.

January 20

Today we travel around Cusco visiting popular Inca sites situated among the mountains. The size of the Incan Empire was vast and very impressive in its short 100 year reign. The local people are very proud of their culture, and are eager to explain how Incan architecture was far superior to when the Spanish brought their buildings. Tourism has put this mountain city on the map, and its economy is mostly driven by foreigners from all over the world. We also visited an alpaca/llama farm where we were given the opportunity to feed the animals, and see them up-close.

January 21

Our morning began with a 3.5 hour train ride through the sacred valley out towards the Inca Trail. We were dropped off in the middle of nowhere with only the food, and clothing we could carry on our backs to begin a 9 mile hike through the mountains to Machu Picchu. It was certainly an adventure climbing on ancient stairways, and crossing tiny bridges overlooking steep valleys where a fall would mean certain death. Hour upon hour went by walking up and yet farther up the mountains till we finally rested for lunch. Afterwards we continued on till nearly dark when we arrived overlooking Machu Picchu. The hike was all worth it with the sight that awaited us. We took pictures before heading down the mountain for dinner.

January 22

We woke before dawn to catch the early bus up to Machu Picchu before it’s crawling with tourists. Our tour guide is named “Puma”, and it’s clear he knows this place like that back of his hand. This site was never discovered by the Spanish, and that’s part of the reason it’s so special. It wasn’t until 1911, that an American stumbled up on site with the help of a local farmer. There is something magical about Machu Picchu surrounded in clouds that cannot be explained. Later in the day, we board the bus back to Cusco.

January 23

Today is the first free day in quite some time. A few friends and I decide to relax, and walk about town enjoying our last day up in the mountains before heading back to the coast. Cusco is a truly memorable place with tons of history and culture everywhere you look. I found a few nice gifts for the family back home, and spent the evening taking in the local nightlife.

January 24

The plane back to Lima signals we are reaching the end of this amazing trip to Peru. I'm certainly not ready to go back to the negative temperatures just yet. We all headed to the beach for the afternoon to enjoy the sun. Later in the evening, we all went out for a final night out in the capital of Peru.

January 25

Today was a free day with some people going to the beach and others for a final day of shopping. I spent much of the day walking around the city just enjoying the Spanish language, and watching the people enjoy the sun. This trip has been a truly remarkable experience for me, and I could see myself spending a semester studying here.

January 26

Our final class was on the subject of rural development, and the wide gap between Lima, and the rural areas. We learned about the difficulties Peru faces in making the development more even in a country that is divided by mountains. Afterwards we were visited by the American Chamber of Commerce which seeks to increase foreign investment into Peru. They have been quite successful in recent years in the areas of clubs, and beauty products. Peru has provided a stable environment lately that will continue to push investment and grow its economy. Finally, we had a discussion on the dislikes, and likes of the trip. I certainly concluded on how wonderful an experience I had in Peru. It was unlike anything I have done before, or will probably do for quite some time.