



COSCO's battle to open Peruvian megaport could go to international arbitration

Sam Chambers

April 30, 2024



It is the largest port under construction in South America, something the Chinese ambassador in Lima has claimed will transform a former fishing village 70 km north of

the capital into Peru's Shanghai. However, the construction of Chancay port, set to be opened by president Xi Jinping in November, has not been without controversy.

From landslides halting development to Washington interfering, the creation of this megaport by state-run COSCO Shipping has created many headlines, the latest of which centres around exclusivity rights.

In March, Peru's port authority said an "administrative error" had given COSCO exclusivity over operations at Chancay and asked a judge to annul the decision.

COSCO sent a letter to Peru's economy ministry a fortnight ago to start a six-month negotiation process in order to reach an amicable resolution without having to resort to international arbitration.

Of the \$3.6bn cost of construction, \$1.3bn has already been invested in the initial phase, according to COSCO.

In 2019, COSCO purchased 60% of the shares in Terminales Portuarios Chancay (TPCH) from Volcan Compañía Minera, a subsidiary of Swiss firm Glencore, thereby buying into the development of the Chancay port.

Cargo will be able to reach Asia from Peru in 10 days, rather than 45 at present once COSCO launches direct links to Chancay. Brazil is also expected to be a beneficiary of the port, which will provide quicker access to Asian markets for the country's exports. Brazil and Peru are connected by the Southern Interoceanic Highway, which passes through the Brazilian agricultural hubs of Acre and Rondônia.

Last year, Peru's Prosecution Office launched an investigation following a landslide at one of COSCO's tunnel construction sites.

Diplomats from Washington have been lobbying Lima for months to restrict Chinese investments in Peruvian infrastructure.