

Peru "Land of the Incas". A Tourism Destination on the Rise

Herbert Baumhackl¹

Abstract

Peru has experienced an impressive economic growth since 1994. International tourism makes a significant contribution to the development. It became the engine of modernization and poverty reduction. Based on the political and economic context, progress and the major challenges since 1990, the article deals with the development and the economic importance of tourism. The focus is on the analysis of supply and demand, tourism policy, tourism planning and regional disparity. The concentration of investments and tourists on a few destinations, with the major attractions of Cusco and Machu Picchu which dominate the sector. Peru has so far barely exploited its great tourist potential due to insufficient transport and lack of tourist infrastructure. A focus of development is therefore on the previously low benefit but attractive regions of Peru. A key issue is the evaluation of the implementation of the Strategic Tourism Plan (PENTUR) regarding the sustainable development, diversification, decentralization advertising and marketing.

Keywords: Peru. Economic and Political Development. Poverty. Tourism Industry Tourism Policy Decentralization Diversification

1 Introduction

Peru is one of the most attractive countries on earth with a unique natural diversity and biodiversity (different spectacular natural units): sea, desert, Andean highlands (Sierra, Altiplano, glacier), Amazon lowlands (jungle/ selva), different climate and vegetation zones. This makes Peru so exceptional as one of the world's 10 "mega diverse" countries. Thanks to its history and the wealth of cultural assets from various historical periods, Peru has fascinating ruins and archaeological sites in all parts of the country. Peru has some of the world's eminent world heritage resources (UNESCO) and ethnicities still rooted in their traditions. Especially Machu Picchu (and the Inca trail), Cusco, the Nasca Lines, are visitor magnets and suffer under "overtourism". But Peru has untouched nature in the Amazon lowlands and the Andes. However, Peru has so far not used its unique tourist potential for cultural, natural and ecotourism due to the size of the country and concentration of investment in Cusco and Machu Picchu, the hotspots of Peruvian tourism. Most international tourists do the classic 14-day round trip: Lima – (Nasca Lines) - Arequipa - Lake Titicaca - Cusco - Valle Sagrada - Machu Picchu - Lima. For almost all international tourists Machu Picchu is the main motive and highlight for their first Peru trip. Because of the difficult accessibility (time, effort, cost), the lack or bad quality of tourist and transport infrastructure, many attractive regions/destinations in the north, in the Andes and in Amazonia are unknown to most tourists. The impressive archaeological sites from the pre-Columbian period, such as the huge earth pyramids Huaca de la Luna and Huaca del Sol of the Moche culture, the extensive claytown Chan Chan of the Chimú culture near Trujillo, as well as the tomb of the Señor de Sipán of the Lambayeque culture near Cyclayo, etc. are missing in the tour program of most international tour operators. Even the huge fortress Kuelap - the largest pre-Columbian fortress in America - near Chachapoyas, a "second Machu Picchu", - is still an "insider tip" due to its seclusion and difficult accessibility. The Qhapaq Ñan (Camino de Inca), an impressive system of "roads" from the pre-Columbian and Inca period is hardly known. Tourism makes a significant contribution to the positive development of the economy. But it does not reflect the great inequality in the life situation of different population groups with characteristics of a developing country.

¹ Herbert Baumhackl, Department of Geography and Regional Research, Universitätsstraße 7, 1010 Wien/ Vienna, herbert.baumhackl@univie.ac.at

To understand the situation of the country the economic, political and historical context is therefore important (progress and challenges).

2 Peru: Economic, political and historical context

The Republic of Peru is a decentralized state divided into 24 regions. The regions consist of 195 provinces and 1,828 districts. The city of Callao has a special status as *Provincia Constitucional*, but it also belongs to the Lima region. Each region has an elected government.



Figure1: Regions of Peru

Peru is a good example of the development of a Third World country into a middle-income country (HDI ranked 89). On one hand Peru demonstrates some of the characteristics and trends of a rich and developed country. On the other hand, it has characteristics of a developing country. Peru faces major and complex development challenges. Some of these problems are structural and mortgages of the past (Barrantes & Berdegué, 2013; OECD, 2016). The 1980s were years of extreme crisis for Peru, crippling the economy. One of the main effects was the increase in violence which was mainly caused by the conflict between the government and the Maoist terrorist organizations *Sendero Luminoso* (Shining Path) and *Movimiento Revolucionario Túpac Amaru*. About 70,000 people were killed. One consequence was the collapse of tourism, as tourists were taken hostage. In 1988 cholera broke out in Lima. (Desforges, 2000). These two events had significantly changed the political and economic framework conditions. First, Fujimori's took over the power, who was surprisingly been elected for president in 1990. Second, the crackdown on the terrorist organizations and the capture of their leaders. In 1993, a new constitution laid down the rules for economic activities.

Since 1994, the Peruvian economy has recorded an average annual growth rate of 5.5%, interrupted only by the Asian crisis in 1998. Peru was less affected by the global financial crisis of 2008 (Barrantes & Berdegué, 2013). Although economic growth is impressive, Peru must implement structural reforms so as not to jeopardize the positive development. They must address social and regional economic disparities, such as the unequal distribution of income, access to education, water and health facilities, the inefficiency of the justice system and the high level of crime. The transition from a middle-income to a high-income country and overcoming the so-called "middle-income trap" requires economic diversification, with less dependence on natural resources and a higher productivity in all sectors of the economy (OECD, 2016; APEIM, 2017).

2.1 Main changes since 1990

The Peruvian political system has changed radically since 1990. The authoritarian government under Alberto Fujimori initiated a drastic structural and reform process, the most radical in Latin America. The participation of the state in the economy has been greatly reduced and institutions have been set up to develop the market economy (austerity policy). By solving the problem of hyperinflation, Fujimori gained great political support, from which he derived legitimacy to crack down traditional political parties and to remove the restrictions of existing policy frameworks. He declared a state of emergency in 1992. Fujimori was at the height of his popularity by capturing the leaders of the MRTA (*Movimiento Revolucionario Túpac Amaro*) and the Shining Path (*Sendero Luminoso*). It was the beginning of the concentration of power in the hands of the president, and an authoritarian and corrupt government that systemically weakened democratic institutions (Barrantes & Berdegué, 2013). The Fujimori government ended in November 2000 under the pressure of Congress, which declared him morally incapable (corruption, violation of human right) of carrying out his functions.

2.2 Great progress, great challenges

With 3.3% economic growth, Peru topped Latin American countries in 2015: Colombia 3.1%, Mexico 2.5%, Brazil -3.8%, Venezuela -10%) (IMF). Peru also recorded the lowest inflation rate of those countries and the highest rate of investment. Government debt as a percentage of GDP fell from 47% in 2003 to 25.4% in 2017. In the period 2005-2011, Peru had an average GDP growth of 6.7% and from 2012-2016 of 4.3%. The GDP per head rose from US\$ 2,900 in 2005 to US\$ 6,600 2016 (INEI).

	2005	2010	Ø 2005-2010	2016	Ø 2011-2016
Change GDP (real) in % prev. year	6.3	6.3	8.1	3.9	4.3
GDP (nominal) Bill. US\$	79	154		192	
GDP/head US\$	2,900	5,200		6,600	

Source: INEI (Instituto Nacional de Estadística e Informática)

Table 1: Economic indicators

The increase in GDP per head was impressive but does not reflect the great inequality in the income distribution or life situations of the different population groups (ethnicities). A serious problem is the management of social conflicts, in accordance with the norms and standards of a democratic society and full respect for human rights.

2.2.1 Poverty and inequality

Despite the impressive economic development, poverty in this vast country of 1,285,220 km² (four times the size of France) and 31,6 million inhabitants in 2016 is still widespread. Large regional and social disparities are great. Crime and corruption are frequent. (The previous presidents received longstanding prison sentences. Fujimori for human rights violation, García, Toldeo, Humala, Kuczynski because of the Odebrecht scandal: - they accepted kickbacks from the construction company Odebrecht in Brazil). The dependence on commodity exports and prices (mining, oil) inhibit the sustainable development of the country. The majority of the population, especially in the Andean regions and in the Amazonas lowlands, lives in precarious conditions. Despite the economic and social progress of the recent past, the poverty rate and income disparities caused by the large inequality of development opportunities continue to be very high. Although the poverty rate has declined significantly, from 42.4% in 2007 to 21.7% in 2017, the large structural inequality continues to exist (INEI). Peruvians in extreme poverty earn less than 183 Soles (US\$ 80) a month (INEI). One of the most prominent features of the dynamics of poverty in Peru is its heterogeneity. The difference in poverty rates between the coastal region (14.3%) and the Sierra (33.8%) and the Amazon lowlands (30.4%) is large. Income poverty in Peru is concentrated not only in rural areas, but particularly on indigenous people with twice the rates of the non-indigenous population (45.7% versus 24.1%). Poverty also depends on lower levels of education. These conditions have not changed significantly in the last 20 years (INEI, 2015). Certain groups in Peru experience social, economic, political and/or cultural exclusion and discrimination. An obstacle to reducing poverty and inequality (Gini coefficient 43.3; World Bank, 2017) stems from the economic structure. The economic growth of recent decades has not reached the traditional, low-productivity agriculture from which the majority of the population lives. A structural problem that results in the concentration of poverty in rural areas, especially in the Sierra with its thousands of isolated villages, and in the Amazonas lowlands. A major obstacle to the fight against poverty is the lack of adequate infrastructure (roads). Another major disadvantage is the quality of public services.

Social conflicts also hinder the efforts to alleviate poverty and inequality (Barrantes & Berdegué, 2013). Political inequality mainly refers to pre-law inequality. There are still first-class and second-class citizens. While most coastal cities, particularly the Lima region, have experienced a dynamic development, it has remained modest in other parts of the country. The country's low competitiveness, poor quality of services and weakness in political leadership could be an obstacle to continuing the positive growth-trend (Barrantes & Berdegué, 2013). A current major challenge is about 500,000 refugees from Venezuela who compound the problem of poverty.

3 The development of tourism in Peru

3.1 Development 1920s – 1990

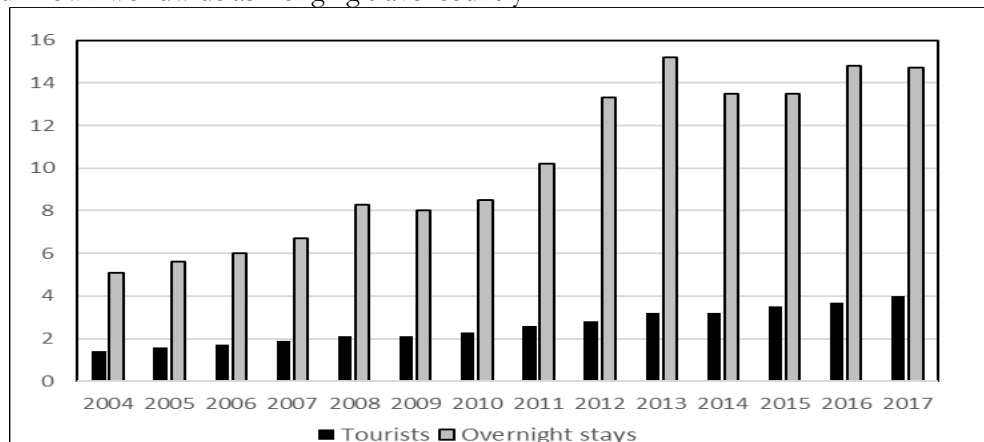
Tourism in Peru began as early as the 1920s. Organized until 1963 by the private Touring Club of Peru (*Touring y Automovil Club del Perú*), it was controlled until the 1990s by the state which set the development zones with a focus on the Cusco-Puno region. The state sought to promote economic growth by taking out foreign loans for the development of tourism. The combination of economic and political instability, the violent activities of the terrorists and the outbreak of cholera had massively affected the country's tourism economy in the late 1980s and early 1990s. Tourist numbers also plummeted (Mitschell & Eagles, 2001). The state-led economic model collapsed as a result of the debt crisis of the 1980s. One of the main effects of the crisis was the surge in violence by the Maoist terrorist organization Sendero Luminoso. After tourists had been taken hostage international tourists stopped coming.

3.1.1 Alberto Fujimori and the consequences for tourism

As a result of Peru's economic and political crisis Japanese-born Alberto Fujimori surprisingly emerged victorious from the 1990 presidential election. Neoliberal measures described as "el Fujishock", included price increases, the elimination of subsidies and protective tariffs. They had drastic social repercussions. Prices for fuel rose by 3,140%, bread by 1,567% and rice by 533% (Stokes, 1997). Fujimori's policies hit the tourism sector by dramatically reducing the role of the state in the economy and liberalizing trade. This was mainly driven by cuts to state institutions, but also by the privatization of state-owned industry. The main objective of these measures was to curb the hyperinflation. This was one of the main successes of Fujimori's policy. The rate of inflation fell from 7,657% in 1991 (the highest in the world) to 27% in 1993 (Palmer, 1996). Through an austerity policy and the restoration of national security, Fujimori appeased international finance and paved the way for Peru's reintegration into the global economy. With the regaining of national security, the tourists came back.

3.2 Tourism development since 2004

Since the end of the armed internal conflict against the terrorist organizations in 2001, the Peruvian economy and in particular tourism have experienced stable economic growth, with annual GDP growth rates of up to 10% (INEI). It almost quadrupled from 2001 to 2015 from 0,94 million to 3,456 million, and nearly tripled from 2004 to 2016. The growth was almost eightfold (INEI) from 1995 to 2016. Peru has been discovered as a unique travel destination. TV documentaries and travelogues, especially Machu Picchu and Cusco, and international tour operators have made Peru known worldwide as "longing travel country."

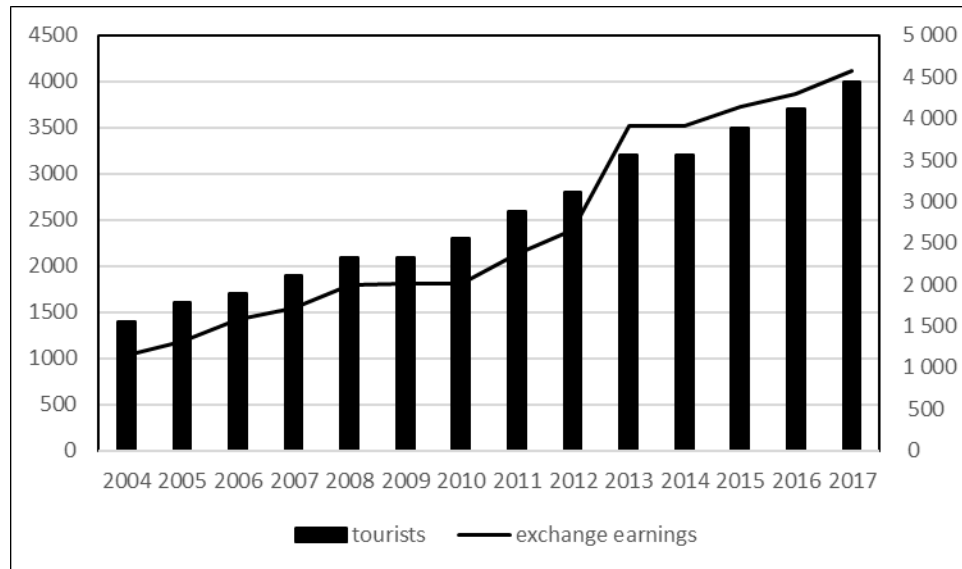


International tourists = foreign tourists + Peruvians living abroad.

Source: Superintendencia Nacional de Migraciones

Figure 2: International tourists 2004 – 2017 in Mio.

Arrivals of international tourists have increased by an average of 8% annually - by 42% from 2011 to 2016 - and tourism-induced foreign exchange revenues over the same period by 57.2%, an average of 9% per year, to US \$ 4,574 million 2017 (INEI; Superintendencia Nacional de Migraciones; Promperú, 2017). In 2017, 4,032,339 foreign tourists visited Peru. An increase of 7.7% compared to 2016 and 186% since 2004. The ambitious strategy of the authorities aims to increase the number of international tourists to 7 million by 2021 (Mincetur, 2015).



Source: Superintendencia Nacional de Migraciones; Banco Central de Reserva del Perú

Figure 3: International arrivals in 1000 and foreign exchange earnings in million US \$

60.1% of tourists travelled to Peru by plane via the *Aeropuerto Internacional Jorge Chávez* in Lima in 2016. 39.9% came by land: 25.8% from Chile, 7.7% from Ecuador and 5.6% from Bolivia (Superintendencia Nacional de Migraciones, 2017). Most foreign tourists are one-time tourists. During the short time of their Peru trip most of them want to visit the highlights Machu Picchu, Cusco and Lake Titicaca. Most Peru travellers follow the "well-trodden paths," the "musts," the instructions of guidebooks or the tour programs of international tour operators. 75% of foreign tourists were holidaymakers, 13% business travellers and 12% visited family or friends (Peruvians living abroad (diaspora), mainly in Spain (Promperú, 2017)).

4 Peru's position in global tourism

With its rich range of historical, cultural and natural attractions - 12 inscriptions to the UNESCO World Heritage List - Peru has become an increasingly popular destination for international tourists. The diverse and unique offer (USP) provide visitors extraordinary and authentic experiences like hardly any other country (Lopez, 2013).

4.1 Key figures for the competitiveness of Peruvian tourism

In the global ranking of tourism, Peru ranked 51th out of 141 compared states in 2017. In the Latin American ranking, Peru was ranked 4th after Brazil (27), Chile (48) and Argentina (50) (World Economic Forum, 2017). Among 136 countries compared, Peru achieved peak levels in natural resources (biodiversity) - 4th place (number of World Heritage natural sites 19th), in international openness (12th), in cultural resources (24th), tourist service infrastructure (45th). Poor are human resources & labour market (62th) and the prioritization of travel and tourism (69th). Very poor is the evaluation of the environmental sustainability (73th), the air transport infrastructure (73th) (the quality of roads 108th), the business environment (83th), health & hygiene (91th), safety & security (108th), ground & port infrastructure (109th) and price competitiveness (127th) (World Economic Forum, 2017).

4.2 The economic importance of tourism for Peru

After mining and agriculture, the tourism industry is Peru's third most important industry (according to Promperú 2017, p. 5 even the second most important).

Tourism has become a powerful sector for diversifying the economy and creating jobs. Tourism has positive effects not only on the leisure industry in general, but it could also lead to fundamental changes in the country's economic structure (UNWTO, 2018).

Effects	Mio. US \$ ¹	%
Direct*) to GDP	7,562.7	3.6
Contribution Total to GDP	20,079.7	9.7
Direct contribution for Employment	374.4	2.4
Total contribution to Employment	1,247.2	7.9
Silent export: Expenditure of international tourists, share of exports	3,989.6	9.2
National contribution	10,393.4	5.0
Leisure Industry	11,792.3	3.0
Business Travel	2,590.7	0.7
Contribution to Capital Investments	2,671.4	4.9

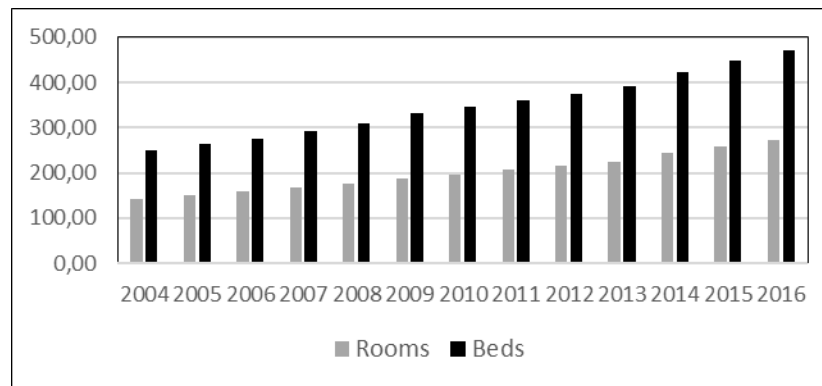
*) Hotels, tour operators, airlines and other transportation services, restaurants, leisure industry.¹constant prices & exchange rates

Source: World Travel & Tourism Council, 2015, p. 11

Table 2: Contribution of tourism and travel 2014 (constant prices & exchange rates)

5. Development of tourist infrastructure

Since the introduction of the market economy and in response to the increasing number of tourists in recent decades, major investments have been made to expand the accommodation capacity (Fig. 4).



Source: Mincetur, 2016

Figure 4: Accommodation facilities 2004 - 2016 in 1000

From 2004 to 2016, the number of accommodation facilities was more than doubled from 9,000 to 21,100, the number of rooms increased from 142,000 to 271,800, and the number of beds from 248,700 to 471,800. From 2011 to 2015, 4,800 new accommodation facilities were built with 21,000 beds in 3, 4 and 5* hotels, with an investment of US\$ 600 million. The largest increase was in 4 and 5* hotels with +36% in the number of facilities, +40% in rooms and +41% in beds, with an average size of 82 rooms and 154 beds. Utilization rose from 55% in 2011 to 61% in 2015. 10.4% of Peru's 3, 4 and 5* hotels were in Lima, concentrated in the upper-class boroughs Miraflores and San Isidro (Mincetur, 2016).

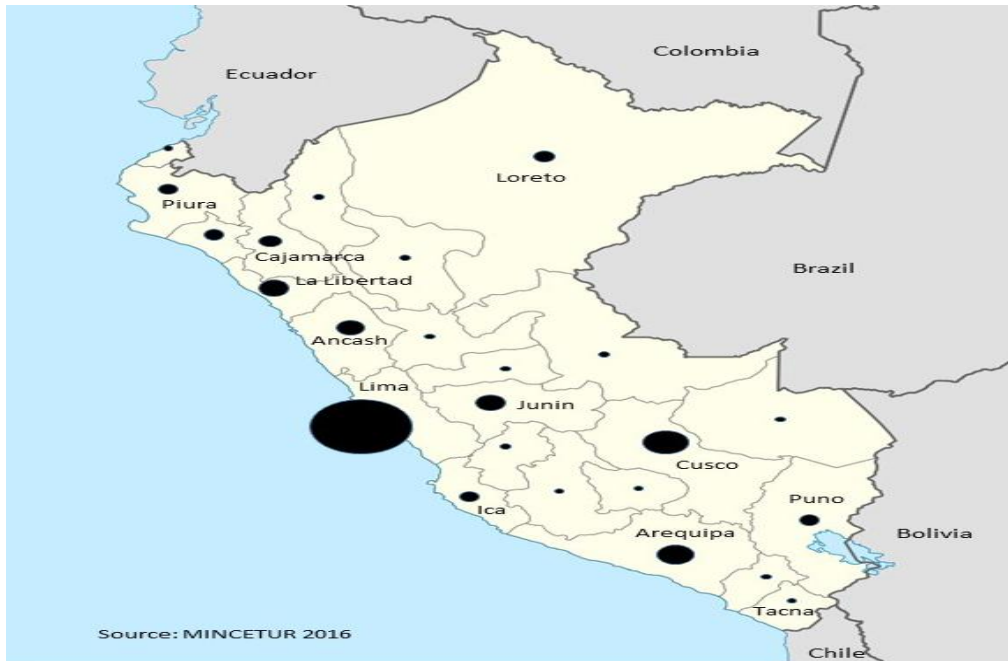


Figure 5: Regional distribution of accommodation facilities

5.1 Planned investments in accommodation facilities 2017 – 2021

In the period 2017 – 2021, 62 mainly larger hotels with 8,279 rooms and an investment of US\$ 1,141 million are planned. Of these 56.5% will be built in Lima (Mincetur, 2016). The planned tourism investments in Peru reinforce the highly concentrated and spatially unequal tourism development. This contradicts the targeted decentralization.

5.2 Hotel chains

International hotel chains play an important role in the development of quality tourism. Peru has 18 international and 2 national hotel chains. They cover the upmarket sector of tourist demand through their branding. Most are in Lima and Cusco (Mincetur, 2016).

	Lima	%	Province	%	Total
Investment (Mio.US\$)	335	55.8	265	44,2	600
Hotels	13	30.2	30	69,8	43
Rooms	1,653	46.2	1,927	53,8	3,580
Investment/ Hotel	25,8		8,8		14,9
Rooms/ Hotel	127,2		64,2		83,3

Source: Mincetur, 2016, p. 26; SHP, Hotel & Tourism Advisor

Table 3: New hotels of hotel chains 2011 - 2016

6 Traffic Infrastructure/ Transport

Many studies have shown the poorly developed transport infrastructure to be a limiting factor in the spatial expansion of the tourism industry. This is particularly true of Peru. Travelling is time consuming, tedious and unsafe. Peru is inadequately equipped with all-weather roads. In 2014, only 13.2% of roads were asphalt roads, while 72.8% were still dirt roads (INEI, 2015) and are often non-navigable or interrupted for a longer period of time after rainfall, especially in El Niño or heavy rain events (as in 2017).

Year	Total	Asphalt roads			Dirt roads		
		National	Regional	Communal	National	Regional	Communal
2007	80,325	11,178	1,507	955	12,660	12,930	41,095
2014	165,467	17,411	2,430	1,925	8,377	22,582	112,741

Source: INEI, 2015, p. 78

Table 4: Length of road network according to quality in km

The only north-south connection is the Panamericana. The expansion is very slow due to the high investment needs and insufficient financing. The lack of good roads and the difficult mountain country of the Andes (steepness, large differences in altitude, cross valleys) can temporal limit the accessibility of many attractive sites in the Sierra, e.g. Ayacucho, Huancavelica, Huánuco, Cajamarca, Chachapoyas, but also in the Amazon lowlands. Iquitos, a city with a population of over 1 million, can only be reached by air or via the Amazon from Brazil. There is no road link to the heartland of Peru! A situation that is unique in the world. A new road link is the Transoceánica (6,200 km) from Rio de Janeiro/Brazil to Lima/Peru. It is the first Atlantic connection. The railway network is small and poorly developed. Some routes were even shut down. Although most cities in Peru can be reached by air many regional airports are not available at night and in bad weather.

6.1 International air connections: high fares, long flight times

The great distance of Peru from the main source areas of international tourism (Europe 10,000 km), USA, Asia, the high fares of intercontinental flights, and the long flight times are a major obstacle to the development of tourism. International flight schedules exist with all Latin-American countries and with Costa Rica, Dominican Republic, El Salvador and Cuba. 10 US cities offer direct flights to Peru. There is only one connection to Canada (Toronto). Europe is connected via France, Great Britain, the Netherlands and Spain (Mincetur, 2016).

Airline	Seats Mio.	%	Change. %
LATAM	2,4	43	+29
AVIANCA	1,6	28	+39
Copa Airlines	0,3	05	+42
American Airlines	0,2	04	+5
KLM	0,1	02	-2
IBERIA	0,1	02	+4
Others	0,9	16	+4
Total	5,7	100	+34

seat increase 2011 – 2016 by 1.5 million

Source: Mincetur, 2016, p. 15

Table 5: Seat/airline, change 2011-2016

While most airlines flying to Peru have increased their seating capacity since 2011, KLM, a main feeder from Europe, has reduced its capacity! However more and more international airlines are offering direct flights to Peru. A response to the tourism boom. Not all airlines offer daily flights (Teventas & Roll, 2014).

7 International tourists 2016: Countries of Origin

For Peru, 22 countries of origin are important. They represent 90% of all international tourists. In 2016 59% of international tourists in Peru were from Latin America (Tab. 7). The most important country of origin 2016 was Chile, with 32.2% of all arrivals. USA and Canada represented 20%. 16% came from Europe, 4% from Asia, 2% from Africa, Oceania. China recorded the strongest growth, although from a low baseline with +33% (Promperú, 2017, p. 25). Almost 60% of international tourists were individual travellers (86% of the tourists from Latin America and more than 50% from the most important countries of origin). The package tourists with a proportion greater than 50% were from UK, Italy, Holland, Switzerland, Belgium and from Asian countries. Japan, Australia, South Korea and Italy recorded the highest share, at around 70%. The countries of origin with the predominantly package tourists were also leaders in the ranking of the spending per person (Promperú, 2017, p. 40).

Country	Tourists	%	LS	Expend. US\$*	Rev.Mio. US\$	Organis. %		Accommodation		
						P	I	Kat.	%	
Chile	1,055,880	32.24	6	786	347,6			70	3*	48
			4	247				99	1-2*	83
USA	586,479	17.91	10	1,631	781,0			55	3*	44
Ecuador	318,172	9.72	6	833	108,1			74	3*	50
			5	348				74	3*	43
Argentina	175,488	5.36	10	912	140,9			68	3*	41
Brazil	148,296	4.53	10	1,002	146,7			65	3*	42
Spain	144,927	4.43	17	1,482	167,2			68	3*	42
Bolivia	136,805	4.18	12	1,171	14,2			95	family	50
France	92,316	2.82	17	1,791	135,5			54	3*	43
Mexico	87,443	2.67	07	1,174	99,1			53	3*	58
Germany	74,208	2.27	17	1,463	91,1			67	3*	44
Canada	71,833	2.19	13	1,842	108,6			52	3*	51
Great Brit.	69,302	2.12	14	2,708	123,8	55			3*	57
Italy	66,697	2.04	15	1,899	74,8	70			3*	66
Japan	47,090	1.44	06	1,534	64,7	72			4-5*	48
Australia	42,870	1.31	12	3,854	154,2	71			4-5*	46
Holland**	33,582	1.03	19	1,582	53,3	67			3*	45
China	25,648	0.78	08	2,509	54,0	54			4-5*	54
Switzerland	23,965	0.73	18	2,145	38,8	51			3*	43
South Korea	21,347	0.65	08	2,755	54,2	70			3*	51
Uruguay	18,329	0.56	08	959	15,1		67		3*	46
Belgium	16,697	0.51	16	1,735	27,3	59			3*	56
Russia	9,395	0.29	11	1,848	15,3			65	1-2*	49
India	5,900	0.18								
Singapur	2,070	0.06								
Total	3,274,739	100.00								

Chile and Ecuador: two different tourists ("normal" and backpackers)

*Spending/ person without travel costs to Peru; LS = length of stay; **The Netherlands

P = Package tourists, I = Individual tourists

Source: Promperú, 2016; Mercados y Clasificación; Promperú, 2017: Perfil de Turista Extranjero 2016.

Table 6: The most important countries of origin, international holiday tourists in 2016

The main providers of foreign currency, and thus the main market, was by a wide margin the USA (17.9% of tourists) with US\$ 781 million, followed by Chile (32.4% of tourists) with US\$ 348 million. Only the Japanese, Australians and the Chinese (mostly package tourists) stayed in 4 or 5* hotels. Low budget tourists and Russians preferred 1-2* hostels/hotels. Most tourists stayed at 3* hotels.

7.1 Socio-demographic and economic structural data of international holiday travellers 2016

Peru travellers are young. 64% were under 35, 46% older than 34 years, 46% were university graduates and 22% had a postgraduate degree (Promperú, 2017A, p. 30). Package tourists had the broadest range in terms of household income. On the other hand, 70% of individual tourists had a household income of less than US\$ 40,000.

US\$	PT			IT			Total		
	absolut	%	%	absolut	%	%	Absolut	%	%
<40.000	119,600	08	31.4	1,376,000	92	70.3	1,495,000	100	64.0
40.000-79.999	118,250	25	31.0	355,000	75	18.2	473,000	100	20.2
> 79.999	143,520	39	37.6	224,480	61	11.5	368,000	100	15.8
	381,370	16.3	100	1,955,480	83.7	100	2,336,000	100	100

Source: Promperú, 2017A, p. 34 (PT = Package tourists, IT = Individual tourists)

Table 7: Household income per year: package versus individual tourists 2016

Machu Picchu was the main motive of the Peru trip. All other motives were subordinated to this highlight. Regarding the activities, culture (Inca and pre-Columbian sites) was at the forefront with 97% followed by shopping with 82% (crafts) and nature with 59% (Promperú, 2017A, p. 37, multiple responses).

7.1.1 Sources of information and travel decision

In 2016 the main sources of information for the average of Peru holidaymakers were the Internet with 69% and friends who had already been on a Peru trip with 40%. 16% travelled on recommendation. TV- documentaries as well as guidebooks and tour operators (brochures, catalogues) played only a minor role with 9% (Promperú, 2017A, p. 32)! 37% of the holidaymakers decided spontaneously. For the majority (44%) the decision-making process took 1 - 4 months.

7.1.2 Tourist spending in Peru

44% of holidaymakers had a travel budget (excluding flights or travel by land) of less than US\$ 500. These were mainly young backpackers from Chile. 20% had a travel budget of less than US\$ 500 - US\$ 999. 16% spent between US\$ 1,000 - 1,499, 8% 1,500 – 1,999, only 12% spent more than US\$ 2,000 (Promperú, 2017A, p. 38). The difference between age groups, individual and package tourists was great. Young Peru tourists travelled without much demands in terms of comfort, spending less than US\$ 100 a day. Average daily spending and total tourist spending was highest for visitors older than 65 (Promperú, 2017A, p. 34). Tourists from Australia had the highest average spending with US\$ 2,833. The spending of tourists from Latin America was with US\$ 492 the lowest (Promperú, 2017A, p. 38). The average expenditure per individual tourist in Peru was US\$ 638. Accommodation and meals accounted for almost 50% of expenditure. A big spending item were entrance fees (19%). By contrast, transport costs in Peru (bus and flight) were comparatively low at 12% (Promperú, 2017A, p. 39).

7.1.3 Regions visited in 2016

Fig. 6 shows the places visited by international tourists. The gateway to Peru is either Lima (mostly associated with a transit stay of 1-2 days), or the two border towns to Chile and Ecuador. The standard roundtrip included Arequipa, Puno (Lake Titicaca), Cusco and Machu Picchu (marked by the larger dots in Fig. 6). Regions in the north and the Sierra, despite their large number of attractive archaeological sites were only visited by few tourists due to the great distances and time affordance; as well the Amazon lowlands, a highlight for nature, eco- and adventure tourists. Only Iquitos on the Amazon was a sidestep for tourists. The number of trekking tourists is also low. The centre is the Huaraz region, with the Huascarán (6,768 m), the highest peak in the Peruvian Andes.

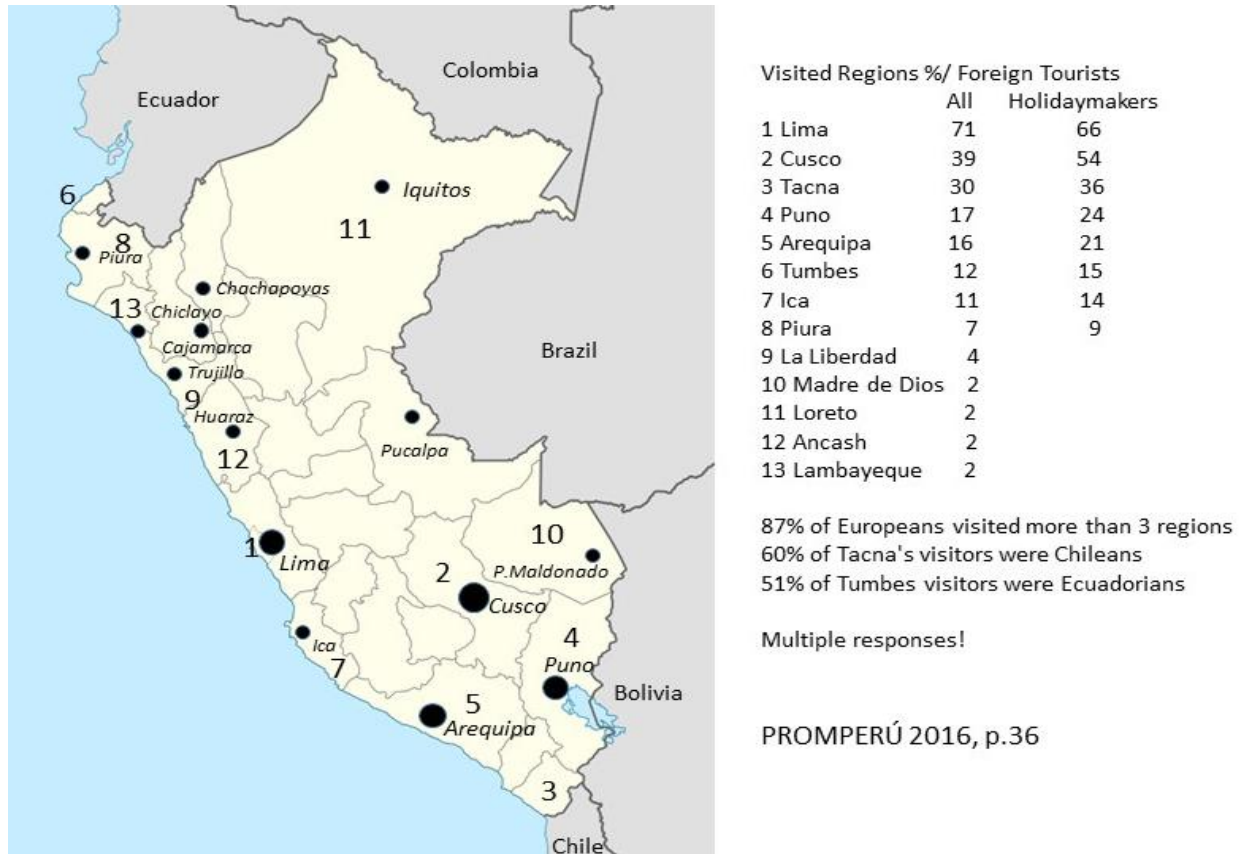


Figure 6: Regions visited

8 Indoor tourism on the upswing

International tourists are important for foreign exchange earnings, but they are far from reaching the number of domestic tourists. A fact that is mostly overlooked in the considerations of tourism policy in Peru. Strong economic GDP growth, e.g. in 2014 of +2.35% and 2016 of +3.88% and the growth of the middle class have led to a sharp increase in travel activity of the Peruvians with almost a third from 2004 to 2015 from 27,2 million to 39,8 million trips (Mincetur, 2015, p. 32).

However, the statistics are very different. The reason lies in the definition of travel (day trips with or without holidays).

8.1 The importance of national tourism

In 2008, the Ministry of Foreign Trade and Tourism (Mincetur) developed a plan to promote the national travel market, with the aim of developing a "culture of travel" among Peruvians. The national market is important because it can promote regional integration, i.e. social inclusion and national identity, and stimulate the economy by creating jobs or contribute to the distribution of national income. Another goal with Peruvian tourists is to make better use of the low season and to bring attractive destinations that have not yet benefited from international tourism into play (World Economic Forum, 2015).

8.2 Profile of Peruvian tourists

The structure and travel behaviour of Peruvians travelling in Peru differ from international tourists. In 2016, Peruvians made 4,78 million holiday trips (+3% compared to 2015) in their own country, spending 2,335 million Soles (about US\$ 702 million) (+12% compared to 2015). The average age of Peruvian holidaymakers was 38 years. The average length of stay was 5 nights. 74% had a higher level of education, 52% belonged to the upper class and upper middle class, 48% to the middle class (Promperú, 2017, p. 8). The main motives (multiple responses) were for 19% a family reunion and for 18% getting to know new places, nature/landscape with 50%, tourist attractions with 37% and climate/heat with 35%. For 29% security was important and 26% sought peace and quiet (especially tourists from Lima). For 20%, the price played a major role (Promperú, 2017, p. 15). Hiking, visits of lakes, rivers, nature reserves and jungles were typical activities.

% travel	City	tourists (all)	% resid.	Expend./Pers Soles*	nights	transport bus %
04	Arequipa	187,230	23.3	321	4	77
04	Chiclayo	168,876	32.1	354	5	84
01	Huancayo	60,584	18.0	368	4	68
85	Lima	4,070,453	48.0	512	5	68
03	Piura	128,539	30.4	361	5	83
03	Trujillo	160,063	22.6	387	4	80

* Including transportation

Source: Promperú, 2017: Reportes de ciudad e emisoras

Table 8: Travel from: city, number of tourists, average spending/person, overnight stays, means of transport 2016

71% of the journeys were by bus, 13% by plane, only 16% by car (Promperú, 2017, p. 20). 96% organized the trip themselves. The main travel times were July and December (Promperú, 2017, p. 19). There were big differences in the travel intensity (Table 8). With 48% citizens of Lima are clearly the ones who are most keen on traveling. They account for 85% of all Peruvian tourists. For 23% of Peruvian tourists, Lima was the prime destination of their trip. The regions of Arequipa, Cusco, Ica, Junin, La Libertad, Lambayeque, Piura, were visited frequently together with Cajamarca because it hosts Peru's greatest carnival festival. Lima is by far the largest market. Most of the trips led to adjacent regions. The trips were almost entirely financed through savings. 59% of holidaymakers stayed in paid accommodation (hotels, bungalows, hostels), but 38% lived with family members or friends. On average, tourists spent only 499 Soles (about US\$ 151) for their trip, which is about 125 Soles per day (about US\$ 38) (Promperú, 2017, p. 22).

9 Regional inequalities of the Peruvian tourism industry

The distribution of international tourists is highly concentrated in a few regions.

Region	2012	2017	change abs.	change %	2012 in %	2017 in %
Arequipa	496,257	534,405	38,148	7.69	3.74	3.79
Cusco	2,532,913	3,472,393	939,480	37.09	19.11	24.60
Ica	260,366	367,922	107,556	41.31	1.96	2.61
Lima	8,118,168	7,349,971	-768,197	-9.46	61.24	52.07
Loreto	329,776	352,214	22,438	6.8	2.49	2.50
Madre de Dios	143,590	177,168	33,578	23.38	1.08	1.26
Piura	156,775	195,788	39,013	24.88	1.18	1.39
Puno	461,324	484,287	22,963	4.98	3.48	3.43
Tacna	194,751	410,221	215,470	110.64	1.47	2.91
Total	13,256,240	14,114,529	858,289	6.47	100.00	100.00

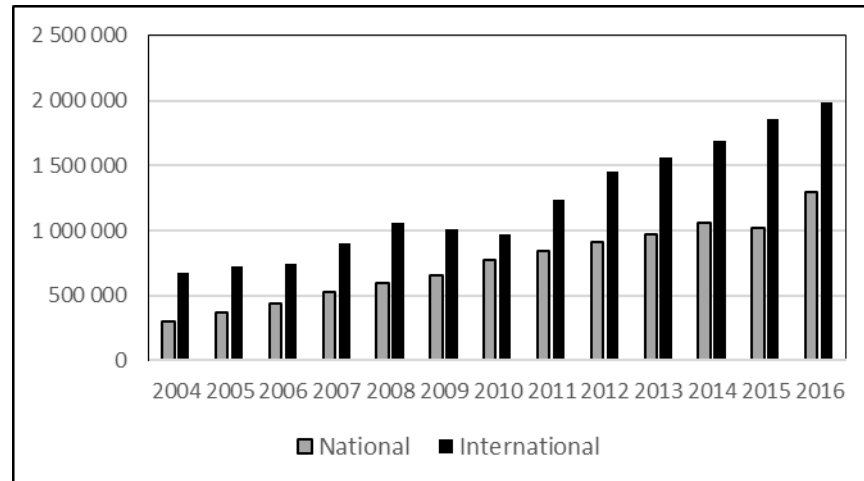
Source: Mincetur/VMT/DGIETA-DIATA-Encuesta Mensual de Establecimientos de Hospedaje

Table 9: Overnight stays of international tourists in the main regions

Tourism revenues are heavily concentrated in Lima (65% of the restaurant and hotel sector). In the rich district of Miraflores there are many upscale hotels and security for tourists is high (Mincetur; OECD, 2016). Outside Lima, tourism is mainly concentrated in areas with comparative economic advantages in terms of transport, the availability of tourist infrastructure, associated with natural or cultural attractions (Tab. 9).

9.1 Cusco region: The hotspot of Peruvian tourism

The country's most important tourist destination is the Cusco region (Cusco - the Sacred Valley- and especially Machu Picchu). Since 2004, the region has experienced a boom in international and national tourists (Figure 7).



Source: Mincetur– Dircetur Cusco

Figure 7: Tourists 2004 - 2016 (absolute)

In 2016, 3,3 million tourists were counted, including 1,98 million international tourists and 1,23 million Peruvians. Since 2004, the number of international tourists has almost tripled and that of Peruvian tourists has more than quadrupled. The Cusco region always has season! Peruvian tourists come all year round, international tourists especially from May to October. Reasons are the better weather, the main holiday periods especially in Europe and the trips offered by international tour operators. In addition to Lima, most accommodation facilities are in the Cusco region. Of these, 92 are in category 3-5*. However, 93.4% are 0-2* facilities (Table 12). Further hotels are planned or under construction.

Category	Establishm	%	Rooms	%	Beds	Rooms/ establishm	Beds/ establishm
5*	8	0.56	888	4.39	1,752	111	219
4*	5	0.35	501	2.47	953	100	191
3*	79	5.48	2,793	13.80	5,479	35	69
3-5*	92	6.38	4,182	20.66	8,184	45	89
2*	117	8.12	2,241	11.07	4,022	19	34
1*	39	2.71	622	3.07	1,059	16	27
No star	1,190	82.58	13,200	65.21	25,075	11	21
0-2*	1,346	93.41	16,036	79.21	30,156	8	22
Hostels	3	0.21	25	0.12	76	8	25
Total	1,441	100.00	20,243	100.00	38,416	14	27

Source: Mincetur – Dircetur Cusco

Table 12: Region Cusco: Accommodation facilities 2014

9.2 Cusco, the former capital of the Incas

Cusco, the former capital of the Inca Empire and the "navel of the world," is part of the "obligatory program" of a Peru trip. In terms of the number of tourists and overnight stays, Cusco has a dominant position in Peru's tourism hierarchy. At 75 km from Machu Picchu Cuzco is the nearest city with airline and rail connection (Puno - Cusco). A new airport is under construction. Over 90% of international tourists visit Cusco and 85% visit Machu Picchu from here (Desforges, 2000; McGrath, 2004; Solano, 2005; Promperú, 2017). In 2018, Cusco was awarded the "World's Best Awards" as the most popular city in Central and South America by Travel and Leisure Magazine.

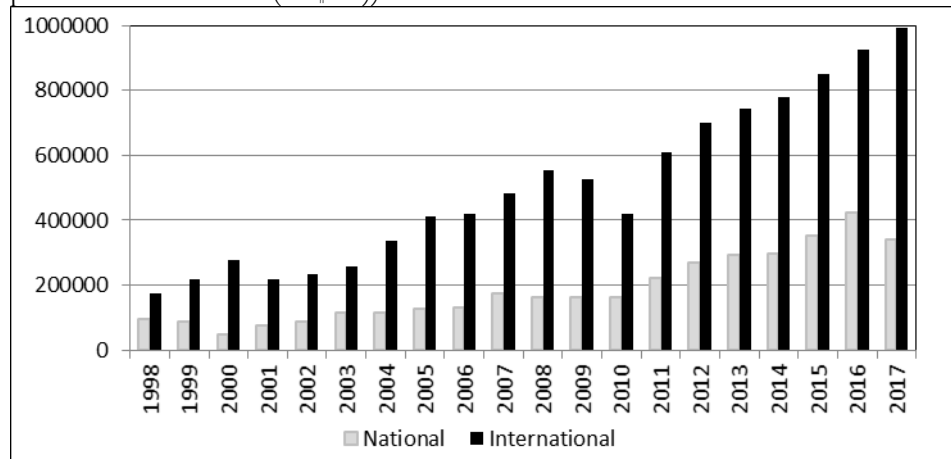
9.3 Machu Picchu, the icon of Peru

Machu Picchu, Peru's icon, emerged victoriously in the "Best Landmark Worldwide" category at the 2016 Travellers' Choice Awards. The Inca Citadel tops the list of the world's most famous tourist attractions. Machu Picchu is since 1983 on the UNESCO World Heritage List and has been added 2011 to the "World of New7Wonders" list. The image of Peru's "Lost City" is a symbol and legacy of Peruvian cultural heritage (Desforges,

2000). But Machu Picchu is threatened by this global uniqueness.

9.3.1 Development of visitor numbers

Up to 6,000 people visit the remote ancient Inca city every day (Emmott, 2003; Leffel, 2005; UNEP, 2008; Mincetur, 2012A). In 2017, 1,4 million people visited Machu Picchu (average per day 3,900), a quadruple since 2000 (Fig. 8) and the increasing pressure on Machu Picchu will not ease (UNEP, 2008). At the urging of UNESCO, the Peruvian state has introduced new visiting times and a restriction of the number of visitors. Since 2019, admission is only granted for two groups between 6:00 am to 12:00 pm and 12:00 pm to 5:30 pm with a limit of visitors per hour and a maximum length of stay for four hours. In addition, tourists can visit Machu Picchu with one guide only. (Ticket price per person 2018 152 Soles (US\$ 45)).



Source: Mincetur – Dircetur Cusco

Figure 8: Development of visitor numbers at Machu Picchu 1998 – 2017

Another plan to increase tourism capacity and reduce environmental impact is to build a cable car. It is intended to replace inadequate feeder buses. But there is great resistance to this plan from UNESCO.

9.3.2 Accessibility

With difficult access, Machu Picchu is a prime example of how inadequate transport systems and natural hazards limit the spatial spread of the tourism industry in Peru (O'Hare&Barrett,1999; World Economic Forum, 2011). Most tourists come by train (Peru Rail) from Ollanta - the railway line is interrupted near Cusco at about 15 km by landslides - to Aguas Calientes (Machu Picchu Pueblo). Especially in the El Niño years, the access is often interrupted by floods and landslides or visitors to Aguas Calientes are prevented from returning to Cusco. From Aguas Calientes, feeder buses travel to the ruins of Machu Picchu 350 meter above the Rio Urubamba.

9.3.3 Management Challenges in Machu Picchu

Tourism management in and around Machu Picchu is influenced by ecological, economic and social factors and by world heritage status. The Machu Picchu ecosystem has a large variety of habitats and a great biodiversity (UNEP, 2008). Machu Picchu was recognized as a protected area by the World Conservation Union (International Union for Conservation of Nature, IUCN, 1994). The protected zone covers about 32,500 hectares and extends far beyond the ruins (Larson & Poudyal, 2012). The ecosystem of Machu Picchu is extremely fragile. Machu Picchu is therefore a global concern. Several organizations and agencies are involved in the management of Machu Picchu, with different agendas and objectives for the conservation and development of the city and conflicts affecting public access, economic growth and cultural conservation. Attempts to take carrying capacity (“overtourism”) into account have failed (Larson & Poudyal, 2012). UNESCO has therefore called on the government of Peru to revise the master plan and pursue sustainable development in order to save Machu Picchu from the risk of a possible removal from the World Heritage List (UNESCO, 2009; 2011). Together with UNESCO, the Peruvian government is working to create a new master plan (Ministerio de Cultura, Ministerio del Ambiente, 2014; Vecchio, 2011). But the tourism lobby is against it (Larson & Poudyal, 2012). Opponents, on the other hand, want to limit the number of visitors, preserve the ecological, archaeological and spiritual character, and protect the existing cultures and lifestyles of the indigenous population.

The spirit of Machu Picchu has also produced a nationalist movement (*Incanismo*) among the indigenous peoples of Peru (Van den Berghe & Flores Ochoa, 2000).

Few indigenous communities benefit from the tourism boom. Aguas Calientes, the small town at the foot of the ruins, is an exception. As a result of the tourism boom the number of inhabitants grew in less than a decade from 400 to almost 4,000 inhabitants. This causes major problems due to the unplanned growth (Emmott, 2003; UNEP, 2008). For example, the lack of water treatment plants, forces the city to channel the wastewater and waste into the Rio Urubamba. Seasonal fluctuations in work, limited opportunities for subsistence and the lack of a collective identity (immigration from different regions of Peru) are also cited as factors contributing to social inequalities (McGowan, 2010; UNEP, 2008). The unequal distribution of the profits of tourism from Machu Picchu have done little to help the plight of most residents of Aguas Calientes. PeruRail, owned by the British company Orient Express Hotel, had a monopoly on the transport in Valle Sagrada for almost a decade. The company also owns the only hotel near the ruins, the Machu Picchu Sanctuary Lodge. Locals claim that the foreign company, which transports 92% of the tourists from Cusco to Machu Picchu, is withdrawing all money from the region (Collyns, 2007). UNESCO has therefore proposed that 10% of Machu Picchu's ticket revenue should go to Aguas Calientes (Barcelona Field Studies Centre, 2007).

9.4 The Inca Trail

Along with the W-Trail in Patagonia (Torres del Paine, Chile), the Inka trail to Machu Picchu is the most popular and well-known trekking route in South America, and one of the most famous trekking routes in the world and provides the alternative access to Machu Picchu. The tourists walk this classic trail in 4 days. They are experiencing the physical efforts and spirituality of the ancient lifestyle of the Inca in an authentic way (Arellano, 2011). At kilometre 88 of the Cuzco/Aguas Calientes rail link, the strenuous 43 km classic Inka trail begins. It leads over three passes of which the highest reaches 4,200m. Finally, it culminates in a magnificent vista on Machu Picchu below. However, the many "ecotourists" - up to 1,600 a day - have led to the degradation of the historical path: environmental pollution due to waste and destruction of historic sites by camping fires, unfair remuneration of the porters and their inhumane working conditions (Arellano, 2011; Cutler et al., 2014). Owing to the severe damage and by the recommendation of UNESCO in 2001 a restriction of 500 people a day was set for the classic trail. Only guided tours are allowed. The trail must be booked in advance. All tickets are personal. Today, only licensed tour operators (currently there are about 200 providers) are allowed to sell Inca trail packages. Depending on the organizer, a 4-day tour costs around US\$ 763. Before the quotas and the possibility of individual hike, the entrance fees were only about US\$ 81. All official suppliers of the Inka trail are subject to strict regulations of the Ministry of Culture in Cusco. If a provider violates the requirements of the ministry twice, it loses its approval as a tour operator (Arellano, 2011; Cutler et al., 2014). In the rainy season, during January and February, the trail is closed. Many tourists are looking for cheaper alternative routes. Today, there are various alternatives of different length.

Spontaneous travellers can book the alternative Salkantay trek in Cusco, for example. A very spectacular trek not overcrowded – but the highest pass is almost 4,600m high - and ends at Machu Picchu as well.

10 Decentralization, diversification and market segmentation

In order to decentralize tourism to broaden the portfolio of tourism locations Mincetur proposes the development of new tourism routes. Compared to the concentration of tourism development on the Cusco-Puno Circuit, this is a breach of former tourism policies. The goal of a fairer distribution of tourism is to diversify the tourist offer. This means developing tourism that addresses specialized travel interests, non-traditional forms of tourism, such as bird and nature observation. Niche tourists add value and require lower investment in transport infrastructure and hotels, which are two weak points of the tourism sector (López & Santillán, 2008). However, new tourist circuits will only become profitable if taking advantage of existing infrastructure and routes as tourism will develop around centres and along corridors. Tourism in rural communities also depends on easy accessibility (time, effort), which requires good roads and proximity to tourism centres. Very remote rural communities are therefore not (yet) suitable for community tourism projects. The decentralization and diversification of tourism proposed by Mincetur should be carried out by destination management organizations as models of public-private partnership (López & Santillán, 2008). Integrating remote regions into the national tourism network is seen as a major challenge.

10.1 Community - based tourism, CBT

The "*Turismo Rural Comunitario*" (community - based tourism, CBT) is a participatory approach to sustainable development, with the aim of providing the local indigenous population with a tourism of "small numbers" – alternative income opportunities as a complement to the traditional subsistence economy and thus contribute to the reduction of poverty. It is a tourism that is to develop from the cultural understanding, local human capital, the organizational potential and the solidarity of the indigenous population. With regards of protecting the natural environment external dependence should be minimized. The population of these areas should benefit from tourism and, at the same time, actively work to preserve nature. CBT is a relatively new strategy in Peru to initiate rural development in a planned and sustainable way. In peripheral regions of Peru tourism should be a "spearhead" for rural development (Mincetur, 2008).

10.1.1 Strategies of the community - based tourism (CBT)

The strategies of the CBT pursue three aspects (PENTUR, 2015; Promperú, 2017C):

1. Strengthening the skills and capacity of rural entrepreneurs to deal with tourists properly.
2. Development of competitive offers.
3. Focus on sustainable tourism (economic – ecological – social).

In the meantime, there are great efforts to get tourism in peripheral regions. Almost all regions have initiated CBT concepts through funding and through the support of NGOs.

10.1.2 Homestay Tourisms in Peru

Mass tourism in Peru is in the hands of national elites and transnational companies who benefit disproportionately from tourism development, reduce revenues through "leakage" and allow the local population to participate only marginally in tourism. Indigenous people work mainly in the informal sector as street vendors (Carnaffan, 2010). Responsible homestay tourism is a niche market where tourists stay with indigenous families in rural areas. It is based on the principles of sustainable development and is for the benefit of the local population and the protection of the fragile natural environment and traditional cultures. Benefits mean higher incomes and the realization of development projects financed with parts of the profits (Carnaffan, 2010). Homestay Tourism in Peru originated on the island of Taquile on Lake Titicaca as a company managed by the indigenous commune, which even had its own travel agency (Mitchell & Reid, 2000; Zorn, 2004; Kent, 2006). But the promotion of this type of tourism by public and private actors reflects the transition to neoliberal models of tourism promotion. Although the municipality owns and operates its own tourism business, it is dependent on private agencies (marketing, etc.). The case of Taquile illustrates the shift from municipal ownership and management of Homestay Tourism to the current dependence of municipalities or external travel agencies (Carnaffan, 2010; Mitchell & Eagles, 2001; Zorn & Farthing, 2007). Today, Homestay tourism is widespread in most regions of Peru. Visits are organized by agencies.

11.1.3 Ecotourism

Between 2012 - 2015, the focus of the development of the tourist offer was on the specialization and segmentation of the markets such as nature tourism (Mincetur, 2015).

In this sense, nature and ecotourism have become more important. Peru is among the 10 countries with the largest biodiversity and natural resources on earth, with more than 158 protected natural areas, 12 national parks, 11 nature reserves, seven national sanctuaries and 10 protected areas. Peru is home to more than 2,800 species of birds, 3,500 orchid species (Ministerio del Ambiente). On September 2017, the "World Travel Awards for South America" were presented at Riviera Maya in Mexico. Peru emerged as the "best green destination" at the so-called "Oscars of the travel industry." The Peruvian ecotourism offer is experiencing a strong increase in visitor numbers and is to be further expanded. However, there is a lack of financial resources and economic incentives, but also of the political will to protect the country's biodiversity in the long term.

10.1.4 Qhapaq Ñan: Great Inca Way on the Road to World Heritage

The Qhapaq Ñan (in Quechua the great street), also known in Peru as the "Camino de Inca", is a complex network of paths that connected all parts of the Inca Empire. It was the most extensive infrastructure for the administration of the Inca Empire and stretched from Colombia to central Chile (Espinosa, 2002; Jallade, 2011; Pointecker, 2013; Carreño, 2014; Garrido, 2016). The total length is estimated to be 30,000-50,000 kilometres, of which about 23,000 kilometres go through the Andean region of Peru.

In 2009 a joint initiative of the six Andean states (Colombia, Ecuador, Peru, Bolivia, Chile, Argentina) to achieve the UNESCO World Heritage status for the Qhapaq Ñan. In Colombia, some sections have already been acknowledged as a World Heritage Site. The Peruvian government has recognized the potential of the Qhapaq Ñan for a gentle sustainable tourism development with the aim of improving the harsh living conditions of the poor Andean population. It launched two projects, namely the pre-Inca trail "*Llama 2000*", an attempt to use llamas as cargo animals for trekking tourism, and the project "*Inka Naani*," one of the best preserved segments of the Great Inca Route linking the department of Ancash and Huánuco (Espinosa, 2002; Pointecker, 2013). Unfortunately, both projects failed. The main reasons were the difficult accessibility and the lack of basic facilities (e.g. shelters, food and water supplies) for tourism! These were accompanied by insufficient support by the Peruvian government and the reckless behaviour of tour operators from Lima who pursue their own interests and depress prices. But there were also other, more subtle shortfalls. First the projects were launched without a detailed needs analysis (tourist attractiveness/suitability, feasibility, which target groups, marketing and distribution channels). They were not "tailor-made" projects which are developed with participation (bottom up) of the people. Secondly, the acceptance and interest of the Andean population for the projects was low because they did not meet the economic expectations as a result of the small numbers of tourists.

Although sections of the Qhapaq Ñan are very well preserved, they are unfortunately no longer present in the collective consciousness of the indigenous people. The locals consider them as worthless (Pointecker, 2013). For identification with the old traffic routes to emerge, there must first be a connection to one's own history. The indigenous people also have no or little experience of tourism and in meeting tourists. Opinion leaders from the local Andean population who enjoy prestige for their social position and persuade others are needed to communicate the projects and their goals - positive and negative effects - to create consensus and willingness to cooperate. A project against the wishes and identity of the village community is neither enforceable nor sustainable. And if the initiators come from outside, they are rejected by the indigenous population as "strangers". Thirdly the project solely focused on tourism. However, only a holistic sustainable regional development involving other areas of life and economy, such as agriculture, health, education, preservation of cultural goods, etc., is able to improve the living situation of the indigenous population and the regional added value (multiplier effects) sustainably. Fourthly the Peruvian tourism policy did not take into account the value system of the population (see "foreign understanding"). Complexity makes innovation, such as a sustainable development through low-impact tourism, due to the preservation of traditional values difficult, even if from an outside point of view this could contribute to an improvement in the living condition of the Andean population.

The question arises whether the attractive Inca sections, without other exceptional highlights, can be marketed at all due to the difficult accessibility. Even the well-known Inca trail to Machu Picchu would have the same problem without this World Heritage site. Besides, Machu Picchu is not a role model. It is mass tourism with all the negative effects. Visitors to the well-known Inca trail also differ in motivation and demands from the few trekking tourists of the "classic" Qhapaq Ñan.

11 PENTUR – Plan Estratégico Nacional de Turismo. The Strategic Tourism Plan

In 2003, Law 27889 was adopted, which resulted in the fund and extraordinary taxes for the promotion and development of national tourism.

In 2004, the Ministry of Foreign Trade and Tourism (Ministerio de Comercio Exterior y Turismo, MINCETUR) began to draw up the "*Plan Estratégico Nacional de Turismo*", PENTUR 2005 – 2015. With the merger of the "Commission for the Promotion of Exports" (PROMEX) and the "Commission for Advertising of Peru" (PROMPERÚ) in 2007, a new platform for the promotion of tourism was created with the aim of positioning Peru as a competitive country. Mincetur is the key organization responsible for all tourist activities and for the preparation and updating of the Strategic Plan for Tourism (PENTUR). Mincetur coordinates and sets the guidelines for regional and local governments for the promotion and development of tourism and the implementation of strategies, as well as investment and tourism advertising internally and externally (Mincetur, 2015). With the Tourism Act No. 29408, which was adopted in 2009 the Peruvian state has declared tourism a national priority for the development of the country (López & Santillán, 2008; Mincetur, 2015). The vision is to make Peru known and marketed globally as a safe and competitive destination with a unique offer. The development of tourism is intended to create decentralized employment in order to accelerate economic and social development and thereby improve the quality of life for the population (Mincetur,2009C; Mincetur,2015). The result is the new national strategic tourism plan (PENTÚR: "*Plan Estratégico Nacional de Turismo 2025*").

Mincetur took over the planning with the participation of representatives of the public and private sector (Mincetur, 2015). The plan, which must be updated every five years, sets out the guidelines and strategies on how the development of tourism should take into account international tourism. The task of PENTÚR is to organize, manage and promote the sustainable and competitive development of tourism activities in Peru. It covers the budgets, programs, projects and actions of ministries, regional governments, local authorities and all measures for the development of infrastructure and services for sustainable development. Based on strategic goals, Peru was divided into three tourism zones: north, east and center/south. An action plan was drawn up for each area, a destination management was implemented, consisting of representatives of the public and private sector and responsible for the management of tourism (Essi, 2010). It is one of the most important plans initiated in Peru in terms of regional and tourism development.

Important successes

Thanks to this financing, Peru has managed to position itself as a first-class international destination (cultural and natural), on international markets through integrated (holistic) advertising strategies that address end users (potential tourists) and the implementation of innovative advertising materials and strategic alliances with tour operators (Mincetur, 2015).

11.1 Advertising campaigns

The year 2011 was decisive for Peru's international image. Advertising has been focused on a strategy that coordinates the key sectors of tourism and bundles investment decisions to position Peru as the unique travel country worldwide. The Peru brand is intended to make known the country's peculiarities, such as national values, in order to strengthen the national identity and convey a positive image of the country (Mincetur, 2015).

11.1.1 International campaigns

- In 2005, the brand "*Perú, Mucho Gusto*" was created.
- In 2012, the "*Perú: Imperio de tesoros ocultos*" ("Peru: Empire of Hidden Treasures") campaign was launched. The goal is to make the diversity of the country known as one of the cradles of civilization and to praise the image of Peru as a multicultural tourism destination.
- In 2015, this campaign was reinforced with the slogan ("*Perú, país de tesoros escondidos*") ("Peru, Land of Hidden Treasures") (Mincetur, 2015).
- Peru — Land of the Incas: However, this advertising - mostly used by tour operators - is spatially unbalanced and highly focused. Critics see the tourist commercialization of culture for tourism as a problem, as the portrayals cannot be separated from the political messages they transmit. Vich (2007) argues that the production of simplified and standardized images to meet tourist expectations depoliticizes the development difference. It hides the political reality, ethnic diversity, social inequality and poverty, especially of the indigenous population. The indigenous people, however, are presented in brochures and at exhibitions as the "face" of Peru. The advertising campaign is also criticized for perpetuating the concentration of tourism in the Cusco-Machu Picchu region. There is doubt about the branding of "Peru - land of the Incas," as the country has far more diversity and vibrant culture to offer than historical ruins and that therefore these resources should be advertised to decentralize and diversify tourism.

11.1.2 National advertising campaigns

- "*Campaña de Conciencia Turística*" (tourism awareness campaign) and "*Escápate de la Rutina*" (leaving the routine) (2008 - 2009)
- 2012 campaign "*¿Y tú qué planes?*" (what are you planning?) providing information on regions and presenting their offers to stimulate national travel. This campaign introduced previously lesser-known destinations such as Ucayali, Apurímac, Tacna, Huancavelica, Huánuco, Pasco (World Economic Forum, 2015). In 2012, two initiatives were launched to promote regional – local development:
- "*De mi Tierra, un Producto*" (from my country, one product), i.e. which part of a locally special product or attraction can be marketed for tourism.
- "*Al Turista, lo Nuestro*" (tourism is ours), which expresses the use of local specialties in the value chain and commercialization of tourism (Mincetur, 2015).

11.2.2 The latest advertising strategy

The main reasons for the positive development of tourism in Peru are the launch of the new campaign "Peru, the richest country in the world", as well as numerous measures move the strategic focus on outdoor activities and adventure. Through cooperation campaigns, the possibilities of Peru's dreamlike landscape were presented.

The close cooperation with tour operators and the constant training of travel agency staff were also successful. In the course of workshops, road shows, customer evenings, travel agency employees are to be specifically trained on the destination Peru and its special features. Online and offline campaigns with selected travel agents are designed to further increase the number of tourists, via social media and with influencers. The Lonely Planet Best Jury listed Northern Peru in the "2019 Travel List" at number three of the regions that are essential to visit in 2019.

12 Outlook: Goals, strategies, measures

With the installation of Promperú, a diversification of tourism was initiated through the highlighting of the rich archaeological heritage and natural and cultural diversity. Promperú relies on a wide range of specialized tourist offers for different markets: culture, nature and adventure. These are divided into more specialized interests (sub-markets), such as archaeology, indigenous communities, surfing and trekking (Promperú, 2008). The diversification of tourism infrastructure is underway. There were 25 tourism offers in 2014 and 50 new ones are being developed by Mincetur. But the high concentration of tourism revenue in Lima remains a problem, together with the concentration of tourists on only a few destinations. (Mincetur, 2014; OECD, 2016). The development of tourism in Peru is of great relevance for the promotion and diversification of the economy as well as the creation of jobs and the reduction of regional disparity and poverty. The booming tourism could make it possible. However, it requires much empathy and patience to make the indigenous people meeting tourists. There are two priorities, namely, to improve the transport infrastructure: requiring an extension of the road network and making regional airports weather independent and fit for night flights and to fight against crime. In order to diversify tourism and to enhance destinations previously scarcely visited by tourists, the following goals, strategies and measures have to be implemented, given that Machu Picchu and Cusco will always be part of the standard program of Peru travellers, and that the average Peru trip lasts only 14-days. New circuits in the north, south and east will only be successful with a technical upgrading of regional airports. Examples of possible travel circuits (flights, bus, car) and programs/offers:

- Lima – Trujillo (Earth Pyramids, Chan Chan, Lamabayaque) – Cachapoyas (Kuelap) – Lima – Cusco – Machu Picchu – Lima
- Lima – Iquitos (or Pucallpa) – Lima – Cusco – Machu Picchu – Cusco – Lima
- Lima – Ica (Huacachino, bus) – Nasca Lines (bus) – Arequipa – Colca Canyon (bus) – Puno-Tititaca Lake (bus) – Cusco (train) – Machu Picchu – Cusco – Lima
- Lima – Cusco – Machu Picchu – Cusco – Puerto Maldonado (National Park, ecolodges) – Lima
- Lima – Chachapoyas (Kuelap) – Lima – Cusco – Machu Picchu – Cusco – Lima

Peru needs to develop a unique value and selling proposition (USP) around its impressive cultural, natural and culinary strengths and a concrete national vision with specific targets (e.g., number of tourists, number of visitors to each site), timelines and intermediate milestones. Peru must also focus on thematic development. Peru should look beyond its geographic boundaries to coordinate cross country initiatives such as Amazon adventures with Brazil and Colombia or Andean circuits with Bolivia and Ecuador to take advantage of and develop regional assets.

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