



Foreign Trade and Investment: Challenges of the new Government of Peru

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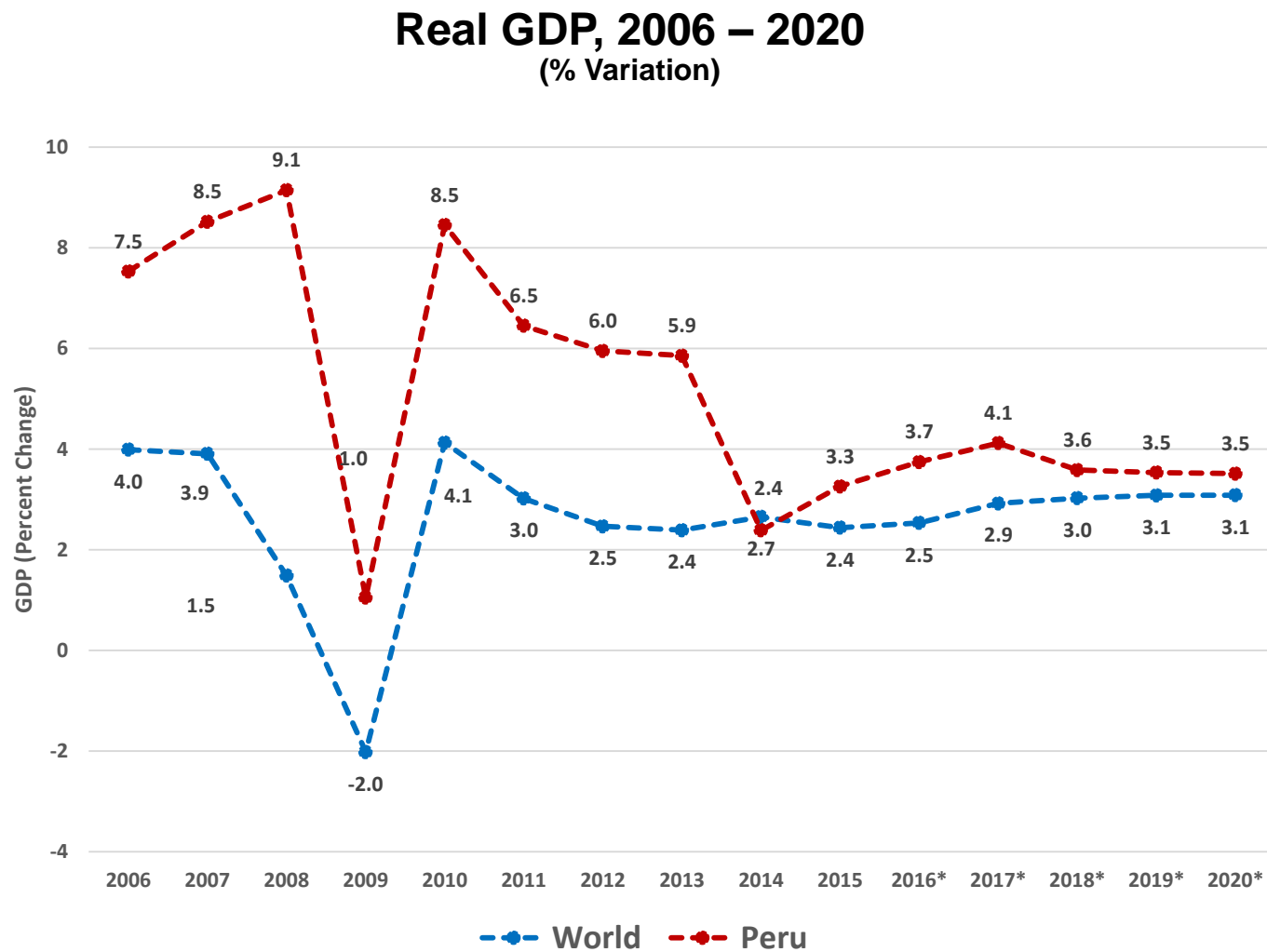
October 2016





Economic Performance

Macroeconomic Soundness



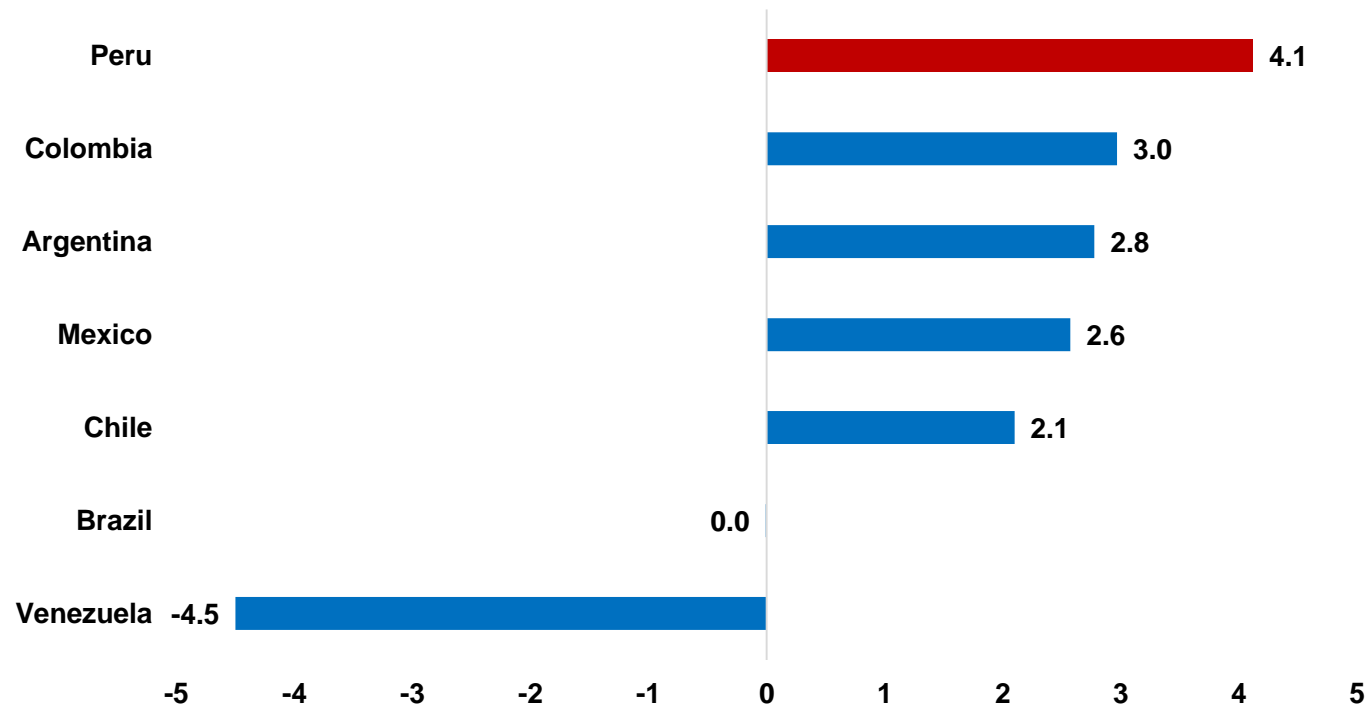
Source: Central Reserve Bank of Peru , International Monetary Fund

* Estimated figures of BCRP (Inflation report as of June 2016), IMF (World Economic Outlook Database – April 2016)

Macroeconomic Soundness

Peru continues leading regional growth

**Real GDP – Forecasts for Latin America
2016 – 2017**
(Annual Average Variation %)

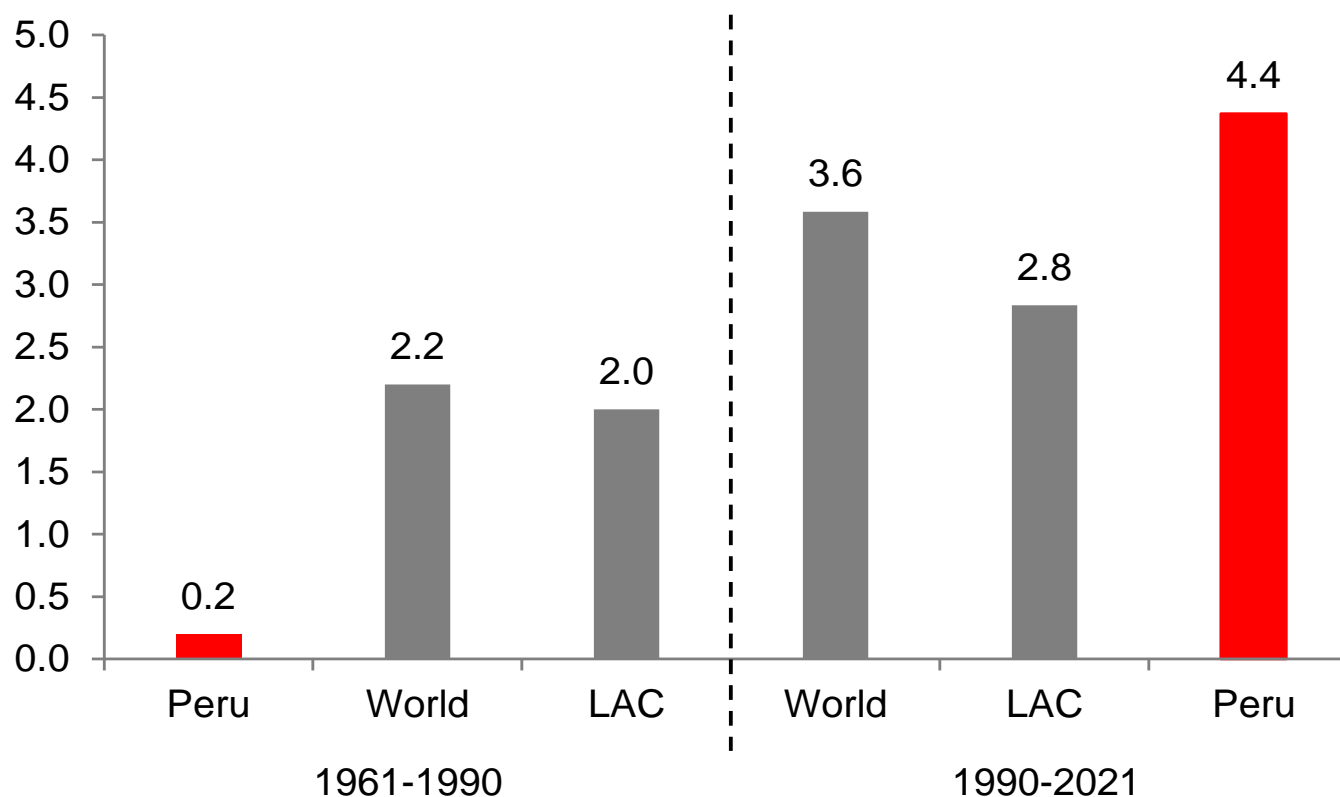


Source: IMF / CENTRAL BANK OF PERU

Peru leads economic growth in the region

Structural changes support the outstanding performance of the Peruvian economy

GDP (Average annual % change)



Source: IMF WEO April 2016.

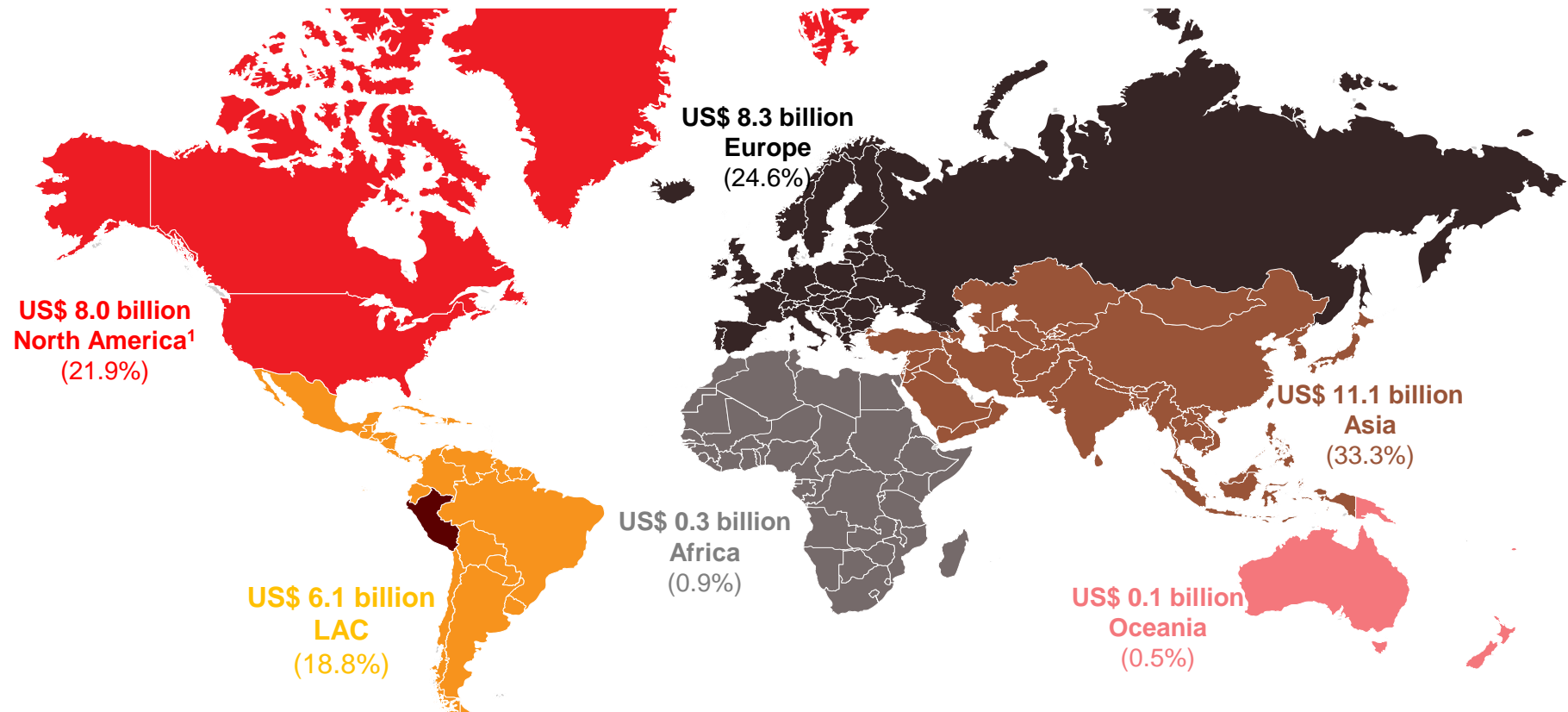


Peru's Trade Performance

Global integration fosters trade and investment

Peru: Total Exports

Exports, 2015 (US\$ 33,9 Billion)



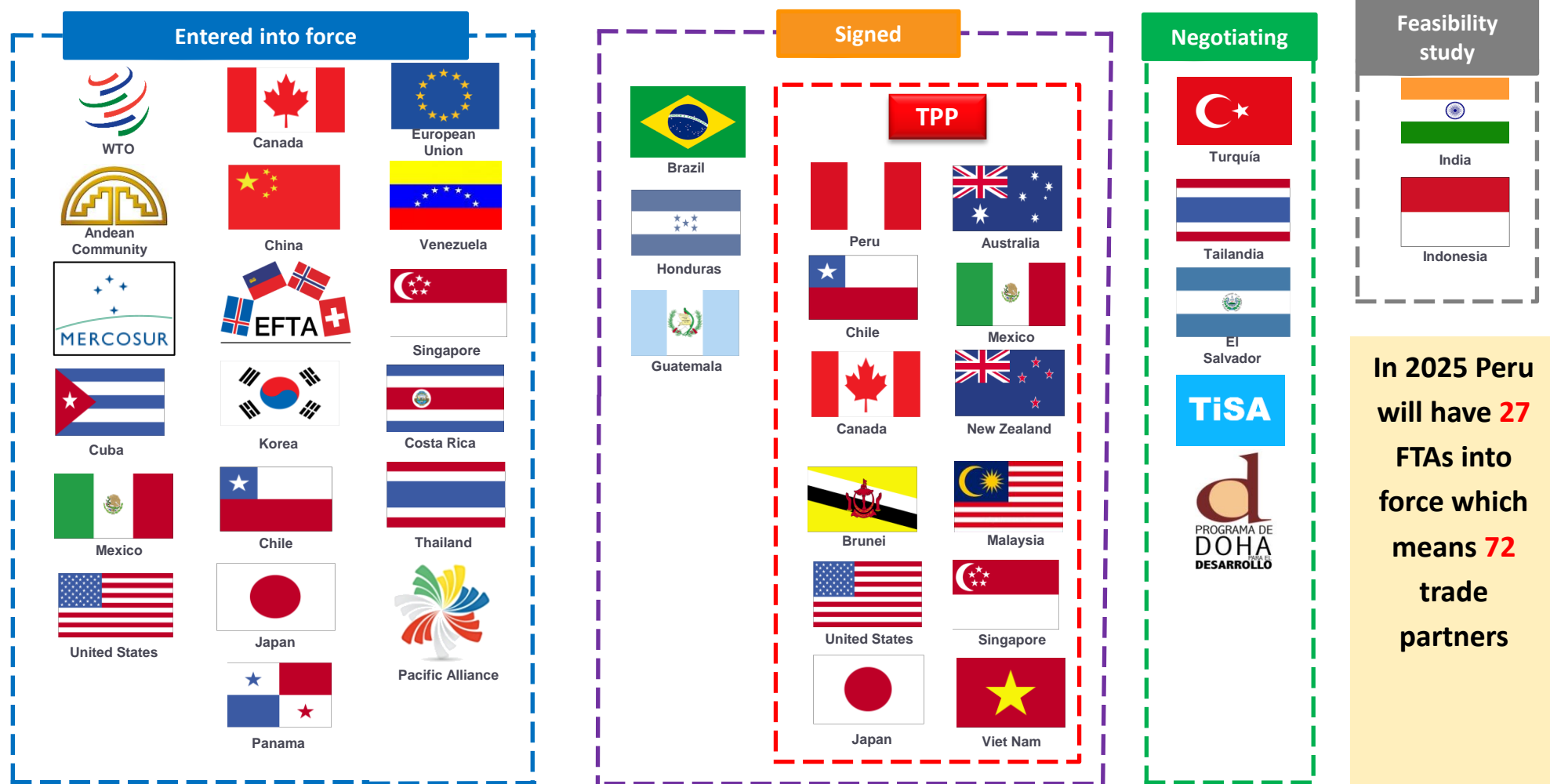
- Free Trade Agreements (FTA) with People's Republic of China, United States, European Union, among others. (18 FTAs with 52 countries).
- We have preferential tariff access to 73% of the world GDP (92% of world trade).
- Member of the Pacific Alliance.
- Access process to the OECD.
- Recently, subscribed the Trans-Pacific Partnership (still to be ratified by the Congress of each of the 12 partners).

1/ Not including Mexico.

Source: BCRP, MEF, MINCETUR.

Open Trade and Market Access Policy

Trade Agreements Network



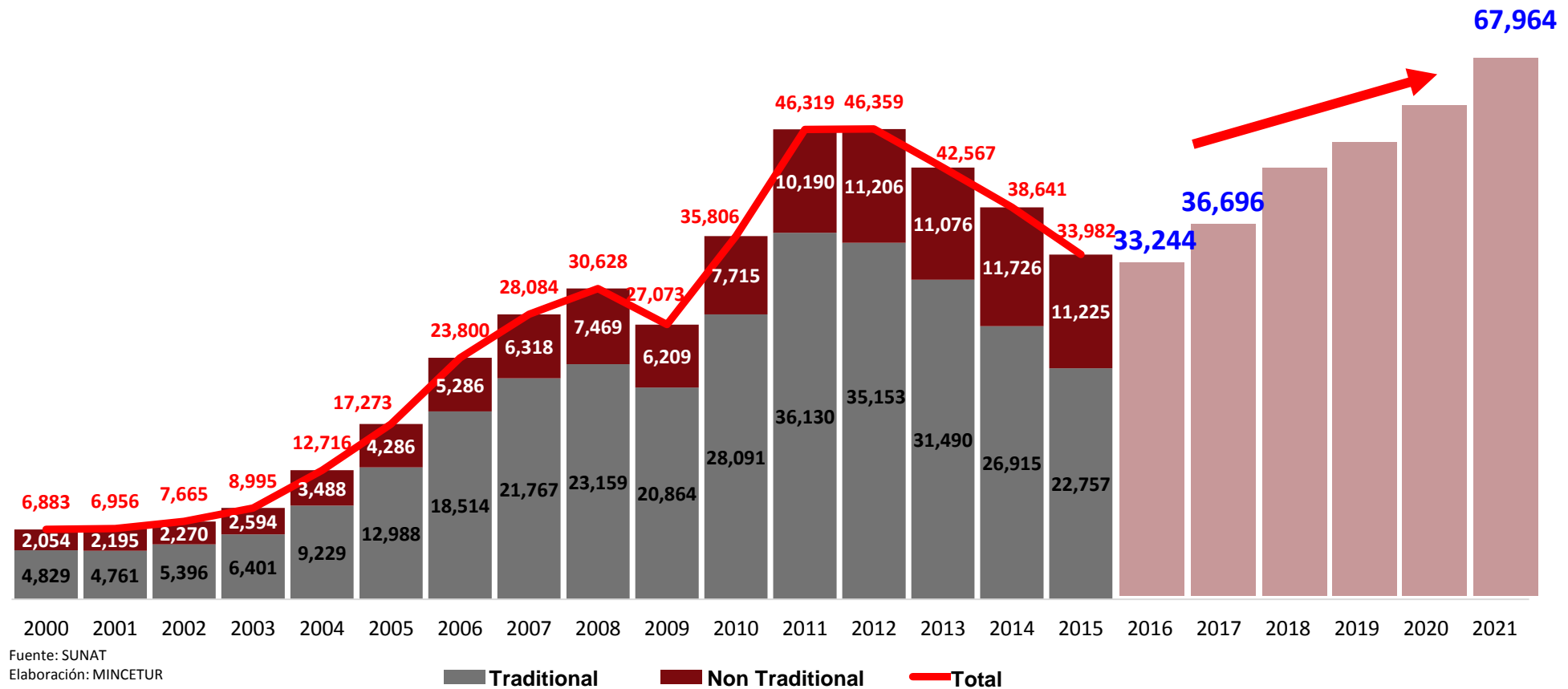
Source: <http://www.acuerdoscomerciales.gob.pe>

In 2025 Peru will have **27** FTAs into force which means **72** trade partners

These countries stand for enlarged market of 3,3 billion people (45% of global population) with a joint GDP over US\$ 60 trillion
91% of Peruvian exports
89% of Peruvian imports

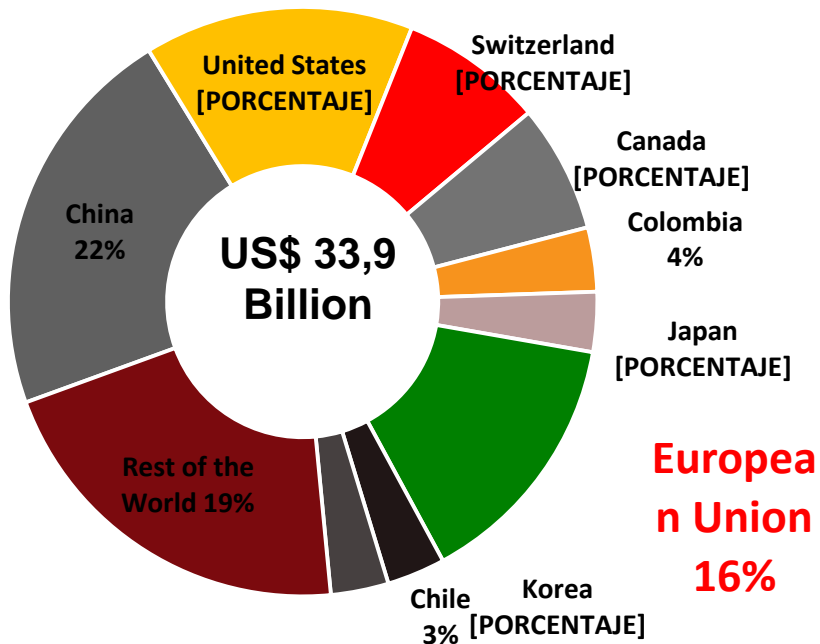
Trade Evolution

(US\$ FOB Million)



EU is Peru's second main market

Exports from Peru to the world 2015 (%)



Source: CUSTOMS - SUNAT

European Union

More dynamic products

(Var.% 2015/2014)

Fresh mangoes
(US\$ 125 million)

↑ 50,6%

Cacao
(US\$ 154 million)

↑ 33,1%

Fresh avocados
(US\$ 201 million)

↑ 21,8%

Bilateral Trade Peru – UE (by country)

Exports to:

Country		2015
Total		5,481.2
1	Spain	1,092.0
2	Germany	927.0
3	The Netherlands	878.0
4	UK	604.0
5	Italy	561.0

Imports from:

Country		2015
Total		4,463.1
1	Germany	1,109.4
2	Spain	705.0
3	Italy	638.0
4	France	362.0
5	UK	304.2

Peru's the world leading exporter of different products

1

Fishmeals
Fresh asparagus
Fats and oil of fish
Organic Coffee
Quinoa
Maca poder

2

Copper, Zinc & Lead
Mixtures of vegetables preserved
Organic cocoa
Precooked Giant Squid
Organic Bananas
Preserved asparagus
Fresh Brazil nuts
Fine animal hair, carded
Canned anchovies

3

Silver & concentrates
Natural calcium phosphates
Fresh avocados
Fresh mangoes
Evaporated milk
Dried paprika

4

Frozen scallops
Canned artichokes
Preserved olives
Paprika, crushed or ground

5

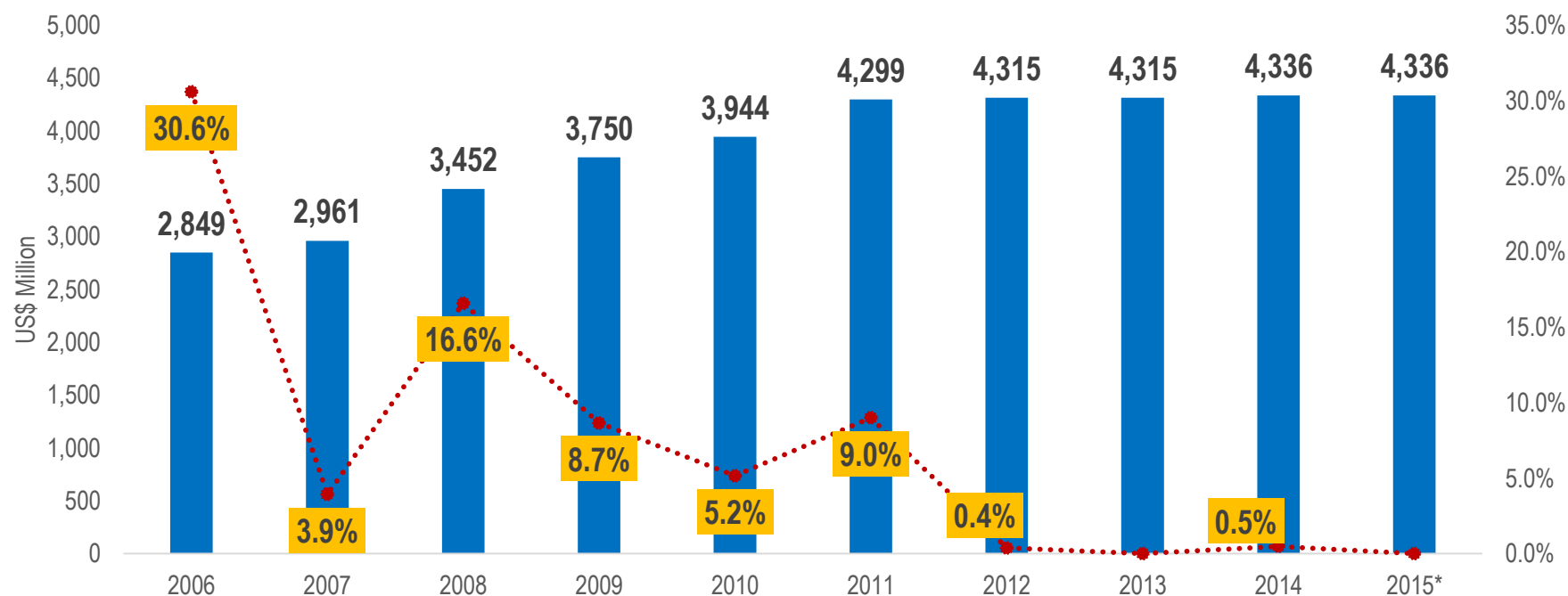
Fresh grapes
Frozen Giant Squid
Frozen fruit & nuts

Source: CUSTOMS – SUNAT



Bilateral Relation Peru – UK

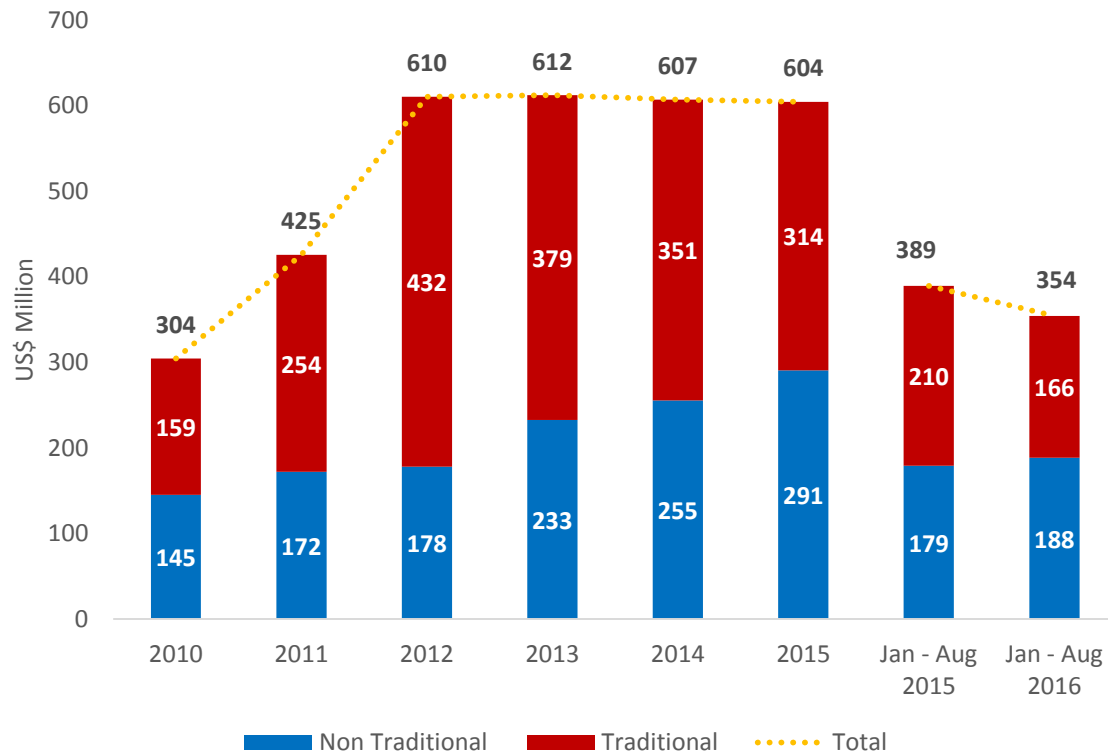
UK investment in Peru



- ✓ United Kingdom is our **second largest investor since 2006**
- ✓ **Main investment sectors:** Mining (US\$ 2 314 Million), Finance (US\$ 753 Million), Telecommunications (US\$ 327 Million), Energy (US\$ 292 Million), Industry (US\$ 180 Million), Trade (US\$ 129 Million) & Services (US\$ 121 Million)

Source: CUSTOMS – SUNAT

Peru exports to United Kingdom 2010 - 2016



Source: CUSTOMS – SUNAT

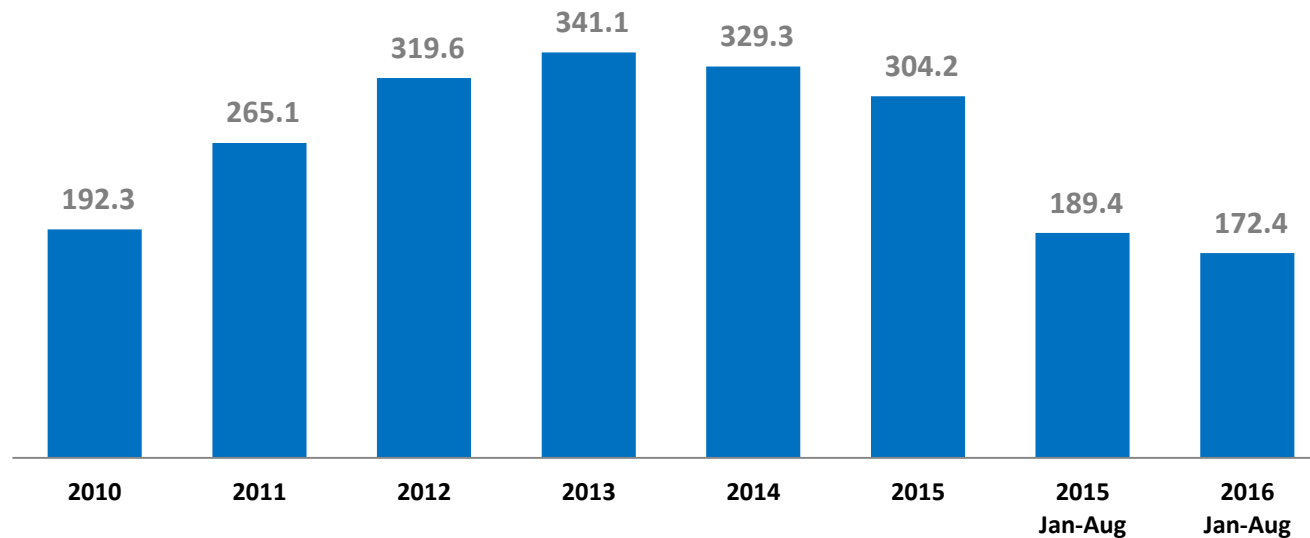
Traditional Exports

- ✓ 2015: US\$ 314 Million Jan – Aug 16': US\$ 166 Million
- ✓ Minerals: 93% of total
- ✓ Coffee: 5% of total

NonTraditional Exports

- ✓ 2015: US\$ 291 Million Jan – Aug 16': US\$ 188 Million
- ✓ Main Subsectors:
 - Agribusiness: US\$ 237 Million
 - Chemical: US\$ 21 Million
 - Textile: US\$ 20 Million
 - Fishing: US\$ 7 Million
 - Iron & Steel: US\$ 2 Million
- ✓ Main Products:
 - Fresh grapes (US\$ 46 Million)
 - Fresh asparagus (US\$ 45 Million)
 - Fresh avocados (US\$ 42 Million)
 - Fresh mangoes (US\$ 20 Million)
 - Mandarins & tangerines (US\$ 18 Million)
 - Fresh cranberries (US\$ 12 Million)

Peru imports from UK 2010 - 2016



Source: CUSTOMS – SUNAT

Imports

✓ 2015: US\$ 304 Million Jan – Aug 16': US\$ 172 Million



Why Invest in Peru?

Peru offers a favorable legal framework for foreign investment

- ✓ Based on the “national treatment” principle.
- ✓ Trade Policy consistency for the last 15 years.
- ✓ Unrestrictive access to most economic sectors.
- ✓ Free movement of capital.
- ✓ Free competition.
- ✓ Guarantee for private property.
- ✓ Special Regimes: Legal Stability Agreements and VAT Anticipated Recovery.
- ✓ Investment Chapter in FTAs and member of ICSID and MIGA.
- ✓ Peru participates in the OECD Investment Committee and has initiated the process for its future incorporation as a member economy.

Near- and medium-term reforms will be implemented in order to increase the country's growth potential

	Near-term measures	Medium-term measures
Promoting Investment	Promote (i.e. addressing delays, sourcing pending approvals of) both public and public-private partnership (PPP) investment projects	Redesign of processes for the granting and monitoring of public and public-private partnership (PPP) investment projects
Boosting Business Productivity (and increasing formality)	Seek a tax framework that promotes a better business environment and the expansion of the tax base: <ul style="list-style-type: none">• Commitment to lower taxes (valued-added tax - VAT)• Increase in the taxpayer base• Greater tax equity• Lower avoidance and evasion• Maximize the flow of resources to regional and local governments	Strengthen multi sectoral efforts to reduce informality: <ul style="list-style-type: none">• National Council of Competitiveness and Formality• Reform of the tax authority• Red tape removal• Entrepreneurial training for small businesses• Access to credit and financial inclusion
Enhancing Fiscal Responsibility	Promote an institutional framework that improves fiscal transparency and makes fiscal rules more enforceable.	Improve financial programming (e.g. systems, protocols, controls) in regional and local governments

Pacific Alliance's objectives

Pacific Alliance (PA) Financial Integration Process

Capital markets integration

Mutual recognition of issuers and expansion of instruments and trade mechanisms within the Latin American Integrated Market

Pension funds investments

Easing the pension funds investment schemes among PA members

Tax regimes alignment

Level the playing field to reduce disadvantages vis-à-vis PA countries' foreign investment tax regimes

Pacific Alliance's members coordinate measures to foster and expedite the integration process.

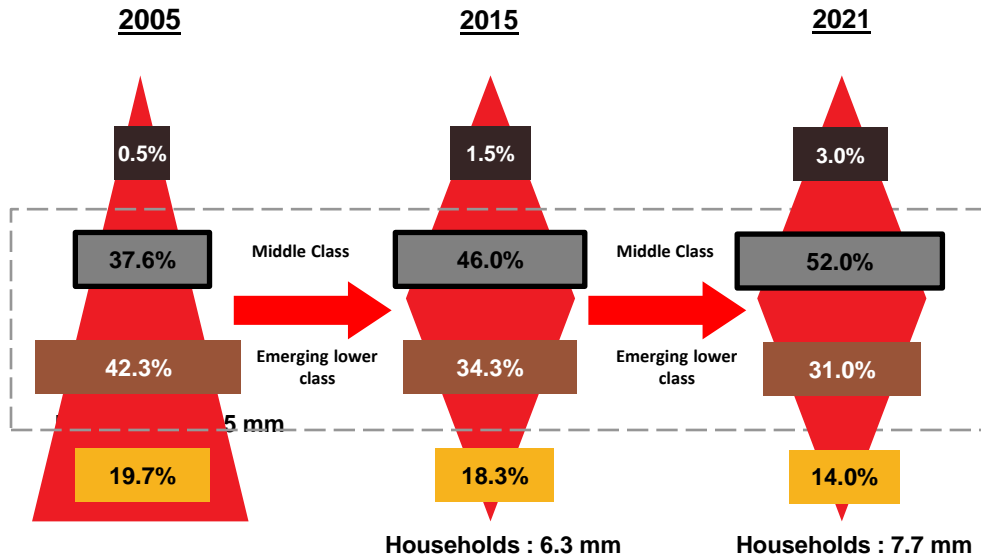


Increasing Middle Class

Urban Peru: Socioeconomic levels

(% de households)

■ A ■ B + C ■ D ■ E



Source: INEI, ENAHO, Investment announcements gathered by APOYO Consultoría.

Main private investment announcements

Sector	Number of announcements	Investment (US\$ million)
 Retail	65	2,338
 Real Estate	52	2,129
 Tourism	36	1,489
 Services	21	1,041
 Industrial	40	971
 Massive consumption	23	872
 Logistics	11	506
 Education	34	446
 Health	11	291
 Agriculture	12	240
 Vehicle sales	13	127
Total	318	10,450

Attractive Sectors to Invest



Infrastructure Gap

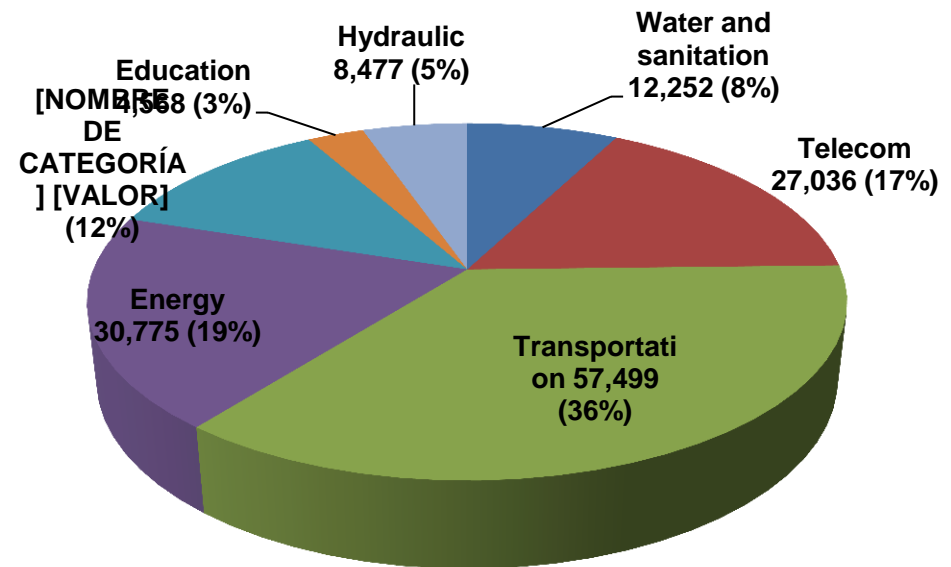
*To reduce the long – term infrastructure gap (2016 -2025)**

Infrastructure gap medium and long term
(Million US\$)

Sector	Mid-term 2016-2020	Gap 2021-2025	Long term 2016-2025
Water and sanitation	6,970	5,282	12,252
Telecom	12,603	14,432	27,036
Transportation	21,253	36,246	57,499
Energy	11,388	19,387	30,775
Health	9,472	9,472	18,944
Education	2,592	1,976	4,568
Hydraulic	4,537	3,940	8,477
TOTAL	68,815	90,735	159,551

* Source: Asociación para el fomento de la infraestructura nacional

US\$ 159,5 billion



Peru: A Growing and Solid Partner for Business

- Peruvian Network of FTAs, its geographic location, economic and policy stability, among others, give Peru the conditions to consolidate itself as a HUB, offering clear and predictable rules for trade and investment.
- Peruvian Real GDP Average of the last 10 years is 5,8%.
- Peru is the fourth most populated country in South America, but we are not a market of 30 million. Because of our FTAS we have Access to 3,3 billion people/market around the world.

Ranking on the Ease of Doing Business (2015):

- Opportunity for foreign investors to make business in Peru, importing capital goods and industrial machinery and exporting products or services, under the benefits of Peruvian FTAs Network.
- Attractive business environment: Peru is the second country in South America rank at Doing Business 2015.

Rank	Country
1	Chile
2	Peru
3	Colombia
4	Uruguay
5	Paraguay



Investment Opportunities

Project Portfolio

Sector	Projects	Estimated investment (USD million)	Estimated Award Date
TRANSPORT INFRASTRUCTURE	LONGITUDINAL DE LA SIERRA HIGHWAY, SECTION 4	446	Q IV 2016
	HUANCAYO - HUANCAMELICA RAILWAY	204	Q IV 2016
	THE AMAZON WATERWAY	70	Q I 2017
	PANAMERICANA SUR HIGHWAY: ICA- DV. QUILCA SECTION	Under evaluation	2017
	LONGITUDINAL DE LA SIERRA HIGHWAY, SECTION 5	Under evaluation	2017
	PORT TERMINALS (Ilo and Salaverry)	Under evaluation	2017
	LINES 3 AND 4 OF THE METRO OF LIMA AND CALLAO	Under evaluation	To be defined
	PERIPHERAL RING ROAD FOR METROPOLITAN LIMA	Under evaluation	To be defined
	LURÍN – CHINCHA COMMUTER TRAIN	Under evaluation	To be defined
	THIRD GROUP OF AIRPORTS Jauja, Jaén, and Huánuco Airport	Under evaluation	To be defined
REAL STATE	ANCÓN INDUSTRIAL PARK (AIP)	Under evaluation	2017
AGRICULTURE	AUCTION OF AGRICULTURAL LANDS - CHAVIMOCHIC PROJECT	5000 /ha	2017

Project Portfolio

Sector	Projects	Estimated investment (USD million)	Estimated Award Date
ENERGY	AGUAYTÍA – PUCALLPA 138 KV ELECTRIC TRANSMISSION LINE	20.3	Q IV 2016
	NEW POWER SUBSTATION: LA PLANICIE 500/200 kV	20.1	Q III 2017
	500 KV MANTARO – NUEVA YANANGO – CARAPONGO & ASSOCIATED SUBSTATIONS LINK	276.5	Q IV 2017
	500 KV NUEVA YANANGO – NUEVA HUÁNUCO & ASSOCIATED SUBSTATIONS LINK	232.5	Q IV 2017
	REACTIVE POWER COMPENSATOR (SVC o similar) +400/-100 MCAR in 220 kV LA PLANICIE S.S.	24.8	Q IV 2017
	QUILLABAMBA THERMAL POWER PLANT	180	2017
	220 kV TINTAYA –AZÁNGARO TRANSMISSION LINE (1 circuit)	58.9	Q I 2018
	REPOWERING TO 1000 MVA OF THE 500 Kv CARABAYLLO – CHIMBOTE – TRUJILLO TRANSMISSION LINE	32.6	Q I 2018
	REACTIVE POWER COMPENSATOR (SVC or similar) +400/-150 MVAR AT 500 kV TRUJILLO S.S.	31.8	Q I 2018
	220 kV NEW CARHUAQUERO S.S.	9.5	Q I 2018
	MASS USE OF NATURAL GAS FOR THE CENTER AND SOUTH OF PERU	300	To be defined

Project Portfolio

Sector	Projects	Estimated investment (USD million)	Estimated Award Date
SANITATION AND HEALTH	MAIN WORKS AND CONDUCTION OF DRINKING WATER SUPPLY FOR LIMA	600	2017
	WASTE WATER TREATMENT SYSTEM OF TITICACA LAKE	Under evaluation	2017
	SOLID WASTE MANAGEMENT IN HEALTH FACILITIES UNDER THE MINISTRY OF HEALTH IN METROPOLITAN LIMA	Under evaluation	2017
	UPGRADING AND EXPANSION OF SEWAGE NETWORK AND WASTEWATER TREATMENT PLANT OF THE TOWNS OF HUANCAYO, EL TAMBO, AND CHILCA	Under evaluation	2017
	THREE NEW HIGH-COMPLEXITY HOSPITALS	400	To be defined
MINING	MICHIQUILLAY	Under evaluation	2017
	JALAOCA (EXPLORATION PROJECT)	Under evaluation	2017
	COLCA (EXPLORATION PROJECT)	Under evaluation	To be defined
	ANTABAMBA (EXPLORATION PROJECT)	Under evaluation	To be defined
	PAMPA GRANDE (EXPLORATION PROJECT)	Under evaluation	To be defined

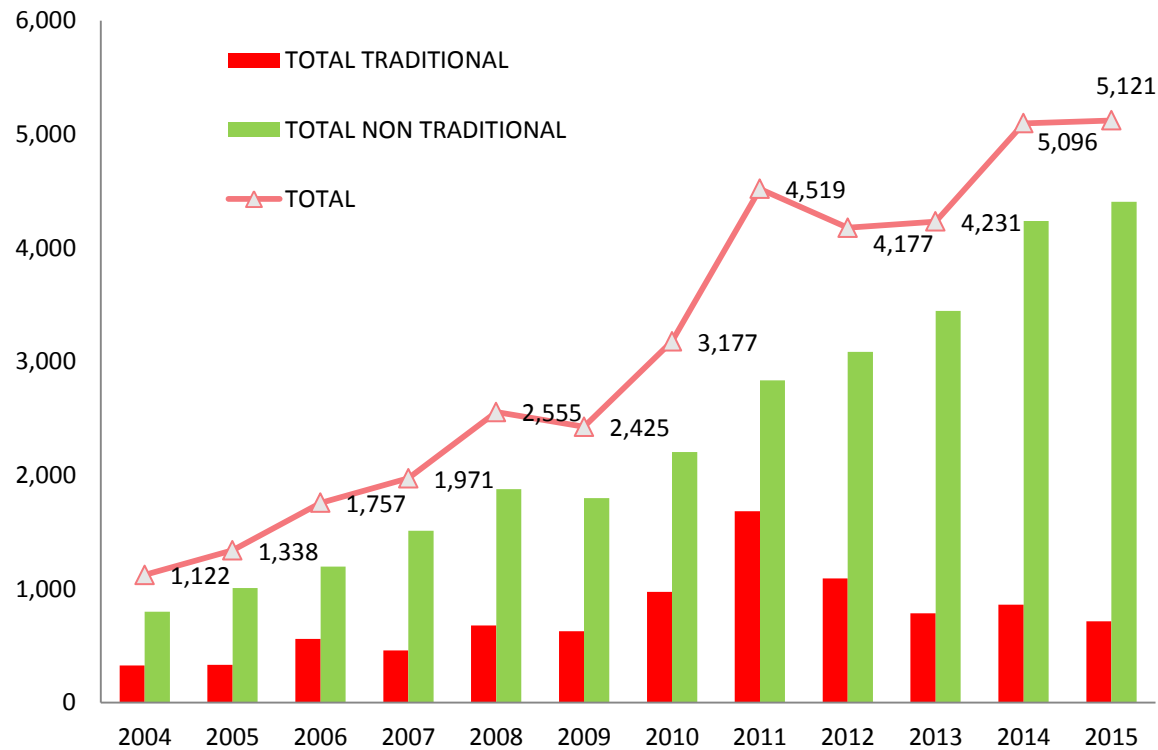
Agribusiness Sector



- ❖ **Natural greenhouse.**
- ❖ **High agricultural yields:** Sugarcane (2nd), Asparagus, Olives (3rd), Artichokes (4th), Grapes (6th) and Avocado (11th).
- ❖ **Seasonal windows** in major markets for agricultural exports.
- ❖ **The 100,000 hectare of land currently devoted to agricultural exports are expected to double** as a result of large agricultural irrigation and expansion existing projects.
- ❖ **More than US\$ 5.000 billion in exports of fresh and processed products** to more than 150 countries.
- ❖ **Organic and Natural Products with high export potential.**

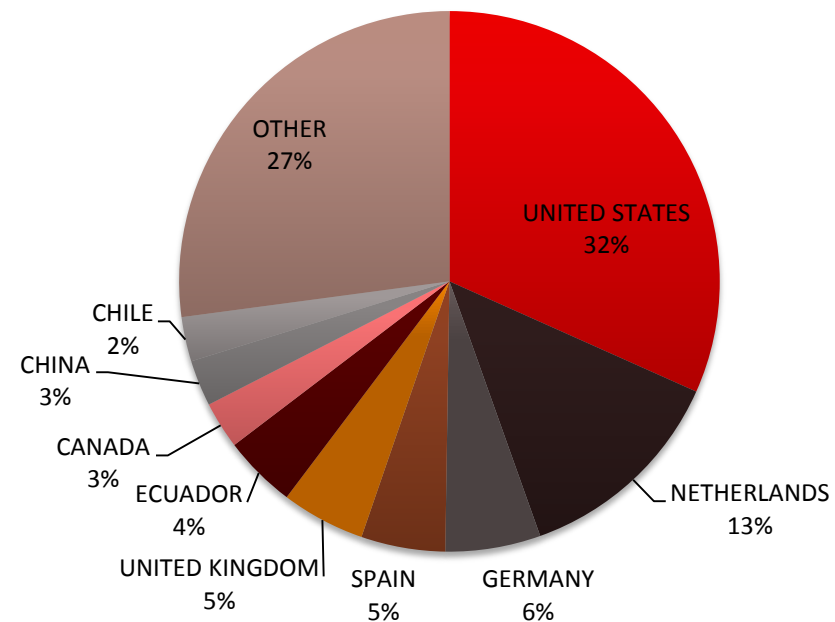
Agribusiness Sector

Agro Exports (millions of US\$ FOB)



Source: CUSTOMS

Agricultural exports according to Target Market – 2015





- ❖ **Important cultural destination** for archaeological sites of the Inca and pre-Inca cultures.
 - **Machu Picchu** was voted one of the New 7 Wonders of the World.
- ❖ **Diversity of natural settings.** Destination for bird and orchid watchers.
- ❖ **Important investment by internationally renowned hotel chains.**
- ❖ The conventions and gastronomic tourism has gained a significant boost, Lima is considered as one of the main venues for international meetings and we are the gastronomic capital of Latin America.
- ❖ **Increased connectivity of the Peruvian air market with increased weekly frequencies in international flights to allow more connections and destinations, with more and better travel options.**
- ❖ **Investment Opportunities in the 8 priority destinations:** Northern Beaches, Amazon River, Amazonas, Kuelap, Moche Route, Lima, Nazca, Paracas, Colca Valley and Puno-Lake Titicaca.
- ❖ Due to its tourist attraction and services of quality Peru will be the venue of important sports events and international forum such as: APEC 2016 and the 2019 Pan American games.



Land of huge opportunities