



Doing Business in Peru: 2014 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Peru

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Market Overview

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Peru continues to be one of the fastest growing Latin American economies in the past eleven years, while keeping inflation low, as the International Monetary Fund noted in January 2014. Although growth slowed down in the last three years, the Peruvian economy has grown at an average of 6.3% per year since 2002, reaching a \$207 billion GDP in 2013. The trend is expected to continue with a projected GDP growth of 4.0% in 2014 and 5.0% in 2015. Private investment and consumption are anticipated to be the main driving forces of this growth. Projections for 2014 are that gross fixed investment growth will be 6.1%. Public investment is increasingly important as in 2013 it was \$11.6 billion (5.3% of GDP), while in 2001 it was \$1.7 billion (3.1% of GDP). The Ministry of Economy and Finance (MEF) reported that public investment grew 10% from July 2013 to June 2014 and predicts that public investment will have increased 17% by the end of 2014 to US\$13.4 billion. As the economy has grown, poverty in Peru has steadily decreased to 23.9% in 2013.

The steady economic growth began with the pro-market policies enacted by President Fujimori in the 1990s. All subsequent administrations, even though their political stances were different if not opposing, have continued these policies, including the current administration inaugurated in July 2011 for a five-year term. President Ollanta Humala has pledged to encourage private and public investment in infrastructure projects in transportation, telecommunications, energy, sanitation, airports, and ports. Congruent with his other campaign goals to reduce poverty and narrow the nation's socioeconomic gap, President Humala has increased spending on poverty-reduction subsidies and raised taxes on mining companies.

Peru's currency, the "Nuevo Sol" (Sol), has been the least volatile of all Latin American currencies in the past few years and was the least impacted by the downturn of the U.S. dollar and the recent tapering of monetary stimulus by the U.S. Federal Reserve System. Since the mid-1990's, the Sol's exchange rate with the U.S. dollar has fluctuated between 1.25 and 3.55 to US\$1. The average exchange rate, for July 2014, was 2.79 Soles per US\$1.

The Peruvian Government has aimed at integration with the global economy by signing a number of free trade agreements, including the United States-Peru Trade Promotion Agreement (PTPA), which entered into force in 2009. In 2013, the U.S. was the second largest destination for Peruvian exports, receiving 17.6% (13.4% in 2012), and the main supplier of goods to Peru with a 20.3% (18.9% in 2012) market share. Peru has

preferential trade agreements with 49 countries and unions including Argentina, Bolivia, Brazil, Canada, Chile, China, Colombia, Ecuador, Iceland, Japan, Lichtenstein, Mexico, Norway, Panama, Paraguay, Singapore, South Korea, Switzerland, Thailand, United States, and Uruguay. Peru is currently negotiating deals with the Trans-Pacific Partnership (TPP), Doha Round and three individual countries. It has two agreements pending entry in force, including with the Pacific Alliance.

In its *Doing Business 2014* publication, the World Bank ranked Peru 42nd among 189 countries surveyed in terms of ease of doing business. The report rates the ease of processes like starting a business, dealing with construction permits, registering property, and obtaining credit. The full text of the Peru report can be accessed at: <http://www.doingbusiness.org/data/exploreeconomies/peru/>.

Market Challenges

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Although all of Peru's administrations since 1990-to-date have avowed support of economic freedom, the Peruvian government has occasionally passed measures that contravene free market principles. For example, Peru has implemented two sets of rules for importing pesticides, one for "regular" importers that is extremely restrictive and requires a full dossier with technical information, and another for farmers which is rather loose and only requires a written affidavit.

Dispute settlement generally remains problematic in Peru. In 2004, the Peruvian Government established commercial courts to rule on business disputes. With their specialized judges, these courts have reduced the amount of time to resolve a case from an average of two years to just two months. The appeals process resolves most of these cases. However, with the exception of the commercial courts, the judicial system is often extremely slow to hear cases and to issue decisions. A large backlog of cases further complicates businesses' operations.

Court rulings and the degree of enforcement are often inconsistent and highly unpredictable. Allegations of political corruption and outside interference in the judicial system are common, a situation that analysts think leads to the judiciary receiving low approval rates in public opinion polls. Frequent use of appellate processes as a delay tactic leads to the belief among foreign investors that contracts can be difficult to enforce in Peru.

While the legal framework for protection of intellectual property (IP) in Peru has improved over the past decade, enforcement mechanisms remain weak. Despite PTPA implementation and recent changes in laws, which created stricter penalties for some types of IP theft, the judicial branch still has yet to vigorously pursue investigations, convictions and stiff penalties for IP violations.

Both domestic and foreign firms continue to identify cumbersome bureaucratic procedures as impediments to doing business in Peru. For example, shipments are regularly held up for various reasons, including typographical errors on shipping documents. Firms operating in Peru also note difficulties in securing legal solutions to commercial disputes or enforcing arbitration awards.

Market Opportunities

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The best prospects for U.S. exports of non-agricultural products to Peru include the following sectors (in alphabetical order):

- Construction Equipment
- Electronic Commerce
- Food Processing & Packaging Eq.
- Industrial Chemicals
- Mining Industry Equipment
- Oil & Gas Field Machinery
- Plastic Materials & Resins
- Renewable Energy Equipment
- Security & Safety Equipment
- Telecommunications Equipment

The best prospects for U.S. agricultural products include:

- Hard Wheat
- Cotton
- Yellow Corn
- Soybean Meal
- Dairy Products (whey, cheese)
- Beef and Offal
- Pet Food

Market Entry Strategy

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U.S. companies often find it convenient to appoint local representatives to investigate market opportunities and establish sales networks. Retention of local legal counsel is often required to successfully navigate Peru's business practices and bureaucracy. U.S. exporters, especially those targeting government agencies, are encouraged to contact the Commercial Service (U.S. Department of Commerce) at the U.S. Embassy in Lima to obtain a market briefing and assistance in arranging appointments during a business trip to Peru, and to learn how the Advocacy Center can support their efforts competing in government tenders. For more information on these services, please refer to <http://export.gov/peru/>.

The Foreign Agricultural Service (FAS) (<http://www.usdaperu.org.pe/>) and U.S. Department of State Economic Section (<http://lima.usembassy.gov/econ.html/>) can also provide briefings on the economic, financial, and investment climate in Peru.

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Chapter 2: Political and Economic Environment

The United States began diplomatic relations with Peru in 1827. Since the start of the 21st century, Peru has undergone consistent economic growth, poverty reduction, and broad support for democracy. The U.S – Peru Trade Promotion Agreement (PTPA) went into force on February 1, 2009, increasing incentives for economic and social cooperation between the two countries.

Current bilateral programs include efforts to limit the production and export of illegal narcotics, primarily cocaine, to reduce poverty and to strengthen the rule of law within Peru. The US offers direct support to the Peruvian National Police (PNP) and Customs Agency (SUNAT) as well as funding to build the capacity of judicial actors.

On July 28, 2011, President Ollanta Humala Tasso began his five-year term on a platform of social and economic inclusion for all Peruvians. While the country has experienced impressive growth rates, low inflation, and a dramatic poverty drop, many challenges remain. Over one-quarter of all Peruvians live in poverty and illegal coca and cocaine production continue to rise. Balancing poverty reduction with environmental stewardship and economic growth will be an ongoing challenge for years to come.

For more background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/>

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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Peruvian law does not require the use of local distributors for private sector commercial sales. However, for sales to the government, it is recommended that U.S. companies contract and register a local agent. (See "[Selling to the Government](#)" later in this chapter.) Exporters to Peru often find it advantageous to have a representative on the ground to stay abreast of the latest opportunities and developments in the company's area of interest.

The Commercial Service in Lima recommends companies to be thorough when selecting an agent or representative in Peru. U.S. companies are encouraged to take advantage of U.S. Department of Commerce services by contacting the local Export Assistance Center (EAC) located in major cities throughout the United States, including Alaska and Hawaii. Services include the International Partner Search (IPS), which helps to pinpoint interested agents and distributors, the Gold Key Service (GKS), which arranges meetings in-country with potential company representatives (agents or distributors), and the International Company Profile (ICP), which reports on the credit and business history of individual local companies. For detailed information, refer to [Chapter 10: Guide to Our Services](#).

Establishing an Office

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It is essential for companies planning to operate in Peru to retain reputable legal counsel. Law firms are referred to as "Estudios" and attorneys as "Doctor" or "Doctora" followed by their last name. An attorney should be proficient in matters concerning taxes on corporate and branch income, corporate residence, value-added taxes, income

determination, capital gains, inter-company dividends/pricing, stock dividends, depreciation and depletion, net operating losses (tax losses), and payments to foreign affiliates. Other significant issues to consider include workers' benefits, payroll and withholding taxes, municipal operating permits, and labor laws that will impact the business when it starts operations. Many U.S. companies retain the local representative of their U.S.-based auditor. The Commercial Service in Lima can provide a list of local lawyers and/or tax and audit firms.

Foreign corporations interested in doing business in Peru on a permanent basis must be formally incorporated and registered in the Peruvian Mercantile Registry (Registro Mercantil del Perú). Real estate may be acquired by any foreign entity without the need to establish an office. It is only necessary to vest a local individual with sufficient powers to conduct and close the sale.

Office space suitable for international companies has substantially increased in the last ten years in several neighborhoods of Lima. The price or rent of newly built offices has increased, partly the consequence of numerous foreign companies setting up shop in Peru. Because of the still ongoing housing boom, with fine dwellings built in Lima's residential areas, it is easier for foreign managerial staff to relocate to Peru. The situation in several other cities is more and more similar to that of Lima.

Industrial space is scarce in or close to Lima. New operations have thus had to accept areas in the southern and eastern outskirts of Lima.

There are two main types of business organization that can be used for these purposes: branch offices and incorporated subsidiaries.

Establishing a Branch

To establish a branch, the following documents will be required:

- Copy of the articles of incorporation of the parent company.
- Certificate of incorporation and good standing or other official document certifying the existence and continuous operation of the parent company. This certificate must state that the parent company is not prohibited, either by law or by its own by-laws, from establishing branches abroad. If such a statement cannot be included in the certificate, then a Notary Public may do so in a separate document.
- Copy of the minutes of the board of directors' meeting where the resolution to establish a branch in Peru appears. This resolution should specify:
 - The domicile in Peru.
 - Duration of the branch (may be indefinite) and the commencement of operations.

- The purpose of the branch, clearly specifying the business and operations that will be conducted in Peru, stating that said purpose is comprised in the parent company's purpose.
- Name of person(s) authorized to act in the registration of the branch and in its representation, and powers vested in him/her, which must include powers to resolve any issue related to the branch activities; to hold the corporation liable for its operations; to appear in court; and to respond to suits brought against it. The holder of the parent corporation's power of attorney, duly registered, directs the branch. The parent corporation can revoke such power anytime.
- There is no requirement for the parent company to submit its financial statements to Peruvian authorities.

A Notary Public or appropriate government official in the country of incorporation must legalize all documents granted abroad. A local Peruvian Consul must then authenticate the signatures of the Notary or the government official. The documents should be in Spanish, and if not, must be translated by an authorized translator. Upon receipt, the signature of the Peruvian consul must be legalized in the Ministry of Foreign Affairs (MFA).

Registration fees are as follows:

- Registration fee: approximately 0.3% of the assigned capital with a maximum of approximately US\$1,400.
- Translation fees: between US\$10 and US\$12 per page.
- Legalization at the MFA: US\$20 per document.
- Notary and legal fees: widely variable rates.

Once residence or domicile can be demonstrated, the foreign company must obtain a taxpayer number (Registro Unico del Contribuyente, "RUC"). The taxpayer will use its (or his or her personal) RUC number in all commercial transactions, similar to the federal tax identification number (EIN) in the United States.

Incorporating a Subsidiary

The corporation is the most common form for establishing a business entity in Peru. A minimum of two shareholders is required. One hundred percent foreign ownership of an investment is allowed without restrictions, except for a limited number of restricted activities (see "[Chapter 6: Investment Climate, Openness to Foreign Investment](#)").

To comply with the rules of incorporation of a subsidiary, various documents will be required.

If participating shareholders are foreign individuals, they need only present valid identification (passport), but for corporations participating as shareholders the following documents must be filed:

- Certificate of Good Standing

- Copy of the minutes of the board of directors' meeting where the resolution to participate in the incorporation of a Peruvian company appears. This resolution should indicate the name of the person appointed as representative to act on behalf of the shareholders in all the incorporation procedures.

No minimum capital is required.

The Business Corporation Law regulates three forms of corporation:

- Common corporation (SA: Sociedad Anonima)
- Closed corporation (SAC: Sociedad Anonima Cerrada)
- Open corporation (SAA: Sociedad Anonima Abierta)

Closed Corporation

The closed corporation (SAC) must have a minimum of two and a maximum of 20 shareholders. The shareholders and chief executive officer manage the SAC. Unlike a common corporation (SA), an SAC board of directors is optional. In case of transfer of shares, the law stipulates a right of first refusal for the existing shareholders, but company by-laws may eliminate this right.

Open Corporation

The open corporation (SAA) does not limit the maximum number of shareholders and is intended for companies making public offerings. No limitations are allowed for the transfer of shares. Peru's Exchange and Securities Supervisory agency (Superintendencia del Mercado de Valores, SMV) supervises open corporations.

The above types are limited liability corporations (LLC). Another LLC business structure is the Sociedad Comercial de Responsabilidad Limitada: a legal entity different from its owners, who can be either individuals or corporations. The liability of the partners is limited to the amount of their contribution. As with a typical closed corporation, the minimum number of partners is two and the maximum is 20. However, in this organization a transfer of shares to third parties is subject to approval by the existing partners—right of first refusal is mandatory—and must be registered in the Public Records Office. The name of the company must include the abbreviation "S.R. Ltda."

For more information on setting up a company in Peru, visit the following web pages of the Private Investment Promotion Agency of Peru (ProInversión) and the MFA.

<http://www.investinperu.pe/modulos/JER/PlantillaStandard.aspx?are=1&prf=0&jer=5761&sec=17>

http://www.rree.gob.pe/promocioneconomica/invierta/Paginas/Comience_a_Invertir.aspx
(in Spanish)

<http://www.rree.gob.pe/promocioneconomica/invierta/Documents/business-nvestment-guide-2013-MINISTERIO-RREE-baja.pdf> (in Spanish)

All potential investors should contact an attorney and/or an accounting firm to understand the legal framework for investment protection established by the Foreign Investment Promotion Law, the Framework Law for Private Investment, the Law for the Promotion of Private Investment in State-Owned Companies, and the Law for the Promotion of Private Investment in Public Utility Facilities.

In the event of a commercial dispute, national or international arbitration may be used, but only if this is agreed to by the parties in an agreement or contract before the dispute arises. Arbitration cannot be imposed unilaterally after the fact as a means to resolve controversies or disputes. Please contact FCS Lima to discuss arbitration venue options. The American Chamber of Commerce in Peru (AmCham) and Lima Chamber of Commerce (LCC) maintain a fully staffed arbitration center open to members and non-members.

Franchising

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The franchise sector in Peru encompasses approximately 335 companies, primarily concentrated in food services. About 63% are foreign owned, mostly by U.S. companies, and 37% are Peruvian. Official figures for the market are not available; however, experts report that the sector has grown by 10% annually during the last three years.

There is no specific legislation to govern franchising, although franchises in Peru are subject to general commercial law, general antitrust law, and Decisions 486, 608, and 291 of the Andean Community. According to articles 162 through 164 of Decision 486, a written license agreement must be registered at the patents and trademarks office (INDECOPi: www.indecopi.gob.pe). Prospective franchisers need to be aware of a 30% income tax on royalties, 18% value added tax (paid by the local company), and import tariffs depending on the type of goods. Countries that have signed double taxation agreements with Peru have separate regimes for royalties and withholding income tax (the U.S. is not included).

Franchises with promising potential include beauty salons, spas, and security systems and services.

Direct Marketing

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Direct marketing is well established in Peru in the service sector, especially among financial institutions and seminar organizers. One common practice is to hire personnel for telemarketing and mailing campaigns or to contract these services from specialized firms. Databases for direct marketing are kept under close custody by its owners and thus are not freely available. Nevertheless, commercial information can be obtained through Peru's chambers of commerce and trade associations (See Chapter 10: Contacts, Market Research and Trade Events). Call centers (outsourcing from the U.S. or other Latin countries) are operating in Peru.

Catalog sales for consumer goods in Peru are still small because consumers prefer to personally determine the quality of the product and ease of obtaining warranty support. Additionally, consumers find parcel delivery by ordinary mail unsatisfactory. Courier companies are taking advantage of this opportunity to promote their services.

Joint Ventures/Licensing

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Peruvian law allows for joint ventures and licensing agreements with a legally established local partner who will be accountable for all legal matters. The textile manufacturing industry in particular has attracted a great deal of licensing and joint venture activity.

Selling to the Government

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To sell to the Peruvian government, interested suppliers have to participate in a tender process, for which they must register with the National Registry of Suppliers (Registro Nacional de Proveedores, or RNP: <http://portal.osce.gob.pe/osce/node/386>, in Spanish only). The RNP consists of the following chapters: construction firms, construction consultants, suppliers of goods and services, and unqualified suppliers to the government. An individual or a company can register in any of the first three chapters and can choose to register jointly as a goods and services provider.

To register, a company must follow several steps (Spanish, <http://portal.osce.gob.pe/osce/content/guia-de-como-venderle-al-estado>):

- Pay a fee (which is revised annually) at the Government Procurement Supervisory Agency (Organismo Supervisor de las Contrataciones del Estado, OSCE), of about \$79 for suppliers of goods and/or services, or about \$124 for construction firms or construction consultants.
- After obtaining the User Kit provided by OSCE once the fee is paid, file the official form (available at www.osce.gob.pe) signed by the legal representative.
- The legal representative must have its powers registered with the Peruvian Public Registry. If the powers of the legal representative are not registered, this can be done within 15 working days. Provide a copy of the incorporation deed or documents that demonstrate the company's legal establishment/status, duly apostilled. The documents need to be translated into Spanish by an official Peruvian interpreter.

Peruvian law permits an independent distributor to pay commissions or fees to third parties in connection with sales to the government. For example, a company in Peru can purchase products from a company in the United States and then pay a third party a fee to resell them to the Peruvian government. There are no Peruvian restrictions on commissions or mark-ups on sales to the government by either agents or distributors, and the rates vary widely depending on product, client, and competition.

Government agencies must publish tender notices for all major purchases in the official gazette, while sometimes they also publish tenders in main local newspapers. The government, in an effort to ensure transparency for some government tenders, has been using the United Nations Office for Project Service (<http://www.unops.org/>) to notify potential suppliers or to handle some bids, but this method apparently does not allow screening by the General Controller Agency and has thus fielded criticism. Peru is not a signatory to the World Trade Organization (WTO) Agreement on Government Procurement. The United States-Peru Trade Promotion Agreement (PTPA) includes a specific chapter on Government Procurement ("Contratación Pública" in Spanish).

Selling to government agencies remains problematic in spite of PTPA's stipulations. In December 2007, the Garcia Administration requested Congressional authority to pass legislation on various matters in order to implement PTPA so that Peru could make the most of it, expressly including government purchases among those matters. Congress quickly consented to the request and Peru's Government passed Legislative Decree No. 1017 (LD 1017), Government Procurement Law (Ley de Contrataciones del Estado). This law requires public tenders for major purchases of goods, supplies and works by government agencies (including the Armed Forces and the National Police). On the other hand, the Peruvian armed forces and national police have long shown a preference to make deals directly, shunning open tenders. In July 2012 the Defense Ministry enlisted the support of OSCE which, with an implausible opinion, left out private companies from bidding for major purchases through a so called "government to government" procurement (i.e., purchases by a Peruvian government agency from a foreign government agency or government-owned company). The Defense and Interior Ministries used OSCE's opinion to pass a number of legal precepts, on which they based several of their main procurement contracts since then. Further, an article hidden in the 2013 Budget Law (Thirty Final Supplementary Provision) specified that procurements of the Peruvian State from another State are not under the scope of LD 1017.

Among the reasons for its opinion (see Web Resources below), OSCE stated that government to government contracts due to its own character and the nature of the contracting parties (sovereign states) are different from the "administrative contracts" (those in which the parties are a government and a private party). OSCE implausibly argued that the government entity, acting in exercise of the administrative function and protecting public interest, can unilaterally modify contracts. This is in blatant contradiction with Peru's 1993 Constitution, Article 62, which establishes that "... Contractual terms may not be modified by laws or any other provision whatsoever ...". Furthermore, even though the parties are sovereign states, OSCE acknowledged that "government-to-government procurement" is at least subject to each contracting State's public law rules, the rules of international law and the international trade rules.

In the last few years, local media have reported denunciations of overvalued prices in the case of several government-to-government purchases of goods for the police or the armed forces. Cases include purchases of a satellite, planes, and helicopters. Overvaluation has apparently occurred even in the case of open tenders, as in the notorious recent case of the purchase of 591 binoculars by the Interior Ministry for the National Police in December 2013. The main local daily El Comercio denounced in January 2014 that the Interior Ministry bought the 591 binoculars at the grossly overvalued price of about \$1,736 each, whereas the daily found similar binoculars at about \$121 each. In early-February 2014, the Interior Ministry announced it had annulled the purchase, implying that it annulled the purchase before the daily's denouncement, but the daily proved that that was not the case.

Distribution and Sales Channels

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The population of Peru is highly centralized, with 30% of all inhabitants living in the capital city of Lima, 50% of GDP generated in and around Lima and the national government being the main government buyer. As a result, a large portion of the sales activities of U.S. firms occurs in Lima. Sales opportunities do exist and are growing in other major population centers such as Arequipa, Chiclayo, and Trujillo. This could be a

consideration for a U.S. company's overall marketing strategy. Representatives in Lima typically have sales agents in these cities, covering sales opportunities in the provinces.

The most common method of distribution is the appointment of a representative. Appointing an agent or distributor is advisable for companies seeking to develop a market on a sustained basis.

The Government of Peru has embarked upon an initiative to decentralize some elements of government authority and decision-making, including implementation of spending programs utilizing the "canon," a revenue-sharing scheme of taxes imposed on some extractive industries. This increase in regional authority is an important consideration when contemplating a local representative outside of Lima. Decentralization of government budgeting and spending authority can also make completing sales more challenging, especially in municipalities or provinces where government agencies may have limited experience in designing and implementing major projects or lack of financial and procurement expertise.

An alternative approach to distribution is to establish a local subsidiary or branch office. Companies with a complicated product or service use this method because it allows for effective after-sales service and more aggressive promotion of a product. Costs of commercial and industrial space are relatively high in the Lima area and in several main cities.

Selling Factors/Techniques

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Product pricing is a key selling factor in the Peruvian market. Products from Asian economies such as China, Taiwan, and Korea often outsell more expensive European or North American consumer products in the realm of consumer electronics, appliances and automobiles. Knockoffs and pirated goods are problematic as well. However, with investment in sales promotion and post-sales service infrastructure, U.S. goods can be competitive. The strengthening of the Nuevo Sol versus the U.S. dollar has made U.S. imports more attractive.

Equipment performance and efficiency influence the decision-maker when purchasing capital goods, notably advanced electronics and construction machinery. The customer often prefers more expensive U.S. or European products, which are highly rated for quality, durability, technology, customer support, and regional service.

Many of the larger representatives have regional offices in other cities outside of Lima. The rest of Peru is largely under-populated and underdeveloped, and does not offer an attractive market for technical equipment, with certain exceptions, such as the large-scale mining operations located along Peru's Andes mountain range and petroleum operations in the Amazon jungle.

Payment for major purchases is generally on a net 30-day basis. For new market entrants, or when dealing with new customers, it is advisable to request up-front payment or work on a confirmed, irrevocable letter of credit basis. Over the counter purchases are done in cash (U.S. dollars are widely accepted), wire transfer, or credit card. Most retailers use credit terms as a sales technique and major department stores issue their own credit cards. U.S. exporters are encouraged to explore the programs and

services offered by the Export-Import Bank of the U.S. (www.exim.gov) to enhance the credit terms offered to Peruvian buyers.

Electronic Commerce

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The Peruvian E-commerce market is developing slowly and remains small by international standards. Business-to-business (B2B) commerce is mostly conducted between large enterprises and the percentage of transactions is growing modestly. These companies use B2B as a commercial practice to cut operational costs. Many medium-size firms do not clearly understand the real importance of electronic B2B and business-to-consumers (B2C) solutions. They focus mostly on cost reduction rather than using this new distribution channel and developing products or services to enhance their reach.

The following is a list of successful firms considered to be local benchmarks in Peruvian E-commerce solutions:

- a) <http://www.peru.com> A popular web portal.
- b) <http://www.rosatel.com.pe> Rosatel allows online orders of flowers and gift baskets.
- c) All banks (e.g., <http://www.viabcp.com>, <http://www.bbvabancocontinental.com>) and most financial institutions have websites to provide clients with services such as paying utility bills, obtaining insurance coverage, internet shopping and information. Transactions are made with debit or credit cards such as Visa, Mastercard or American Express (Amex).
- d) <http://www.wong.com.pe> Wong is Peru's largest supermarket chain. This website allows the company to receive and pay for orders via the internet from local and foreign-based consumers for local delivery.
- e) Telecommunications industry firms have websites and portals to interact with the market in a variety of services, ranging from refilling pre-paid telephone cards to sending direct marketing SMS messages to target market segments (e.g., <http://www.movistar.com.pe>, <http://www.claro.com.pe>).

There have been interesting advances in the use of the internet in several Peruvian government institutions such as the tax collecting agency, SUNAT (<http://www.sunat.gob.pe>); the public registry, SUNARP (<http://www.sunarp.gob.pe>); and the Peruvian state-owned bank, Banco de la Nación, which handles the Treasury accounts (<http://www.bn.com.pe>). The National Elections Bureau, ONPE (<http://www.onpe.gob.pe>) is testing electronic voting and has also improved internet usage.

The Peruvian government has established a special task group under the name of E-Gob Peru managed by the National Office of E-Government and Information Technology (ONGEI: <http://www.ongei.gob.pe/>), under the President of the Council of Ministers. This office is seeking to continuously develop Gov2Citizens solutions for tax payment and information on customs and foreign trade (<http://www.sunat.gob.pe/>) as well as Gov2Gov transactions as a means to reduce expenses within the different agencies. Operational services include a citizens' IDs service portal (<http://www.reniec.gob.pe/>),

and business-assistance services for small and medium-size companies (<http://www.crecemype.pe/>). The Peruvian government is also implementing an Electronic Procurement System (SEACE: Sistema Electrónico de Adquisiciones y Contrataciones del Estado). The principal stated objectives of this electronic system are to improve the transparency and the efficient operation of government purchases.

There is no Public Key Infrastructure (PKI) in Peru yet, but digital signatures are widely used for tax declarations (more than one million users). Transactions are made through electronic funds transfer and Banco de la Nación has created a secure platform for online transactions. The Antitrust, Unfair Competition, Intellectual Property Protection, Consumer Protection, Dumping, Standards and Elimination of Bureaucratic Barriers Agency (INDECOP, <http://www.indecopi.gob.pe/>) is working to implement a PKI under the E-Gob Peru project. Peru is expected to use the U.S. PKI business model.

Development of the legal framework has proceeded as follows:

- a) Protection of Personal Information: Complete.
- b) Electronic Signature: Complete, but will be modified.
- c) Electronic Commerce: Not explicit, but there is a bill that refers to concessions done electronically (Civil Code 141 and 141A.)
- d) Validity for Procedures related to E-Gob Peru: Under development.
- e) Electronic Governmental Hiring Process: Under development.

Trade Promotion and Advertising

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In 2013, Peruvian advertising expenditures in media exceeded US\$715 million.

Lima boasts 30 daily newspapers, a few of which strive for national coverage. Locally oriented newspapers can be found in most provincial capitals. First in terms of influence is *El Comercio*, the nation's second oldest paper with 175 years of continuous publication. Three major dailies, *Peru.21*, *Trome*, and business daily *Gestión*, belong to El Comercio Group. Other major dailies are *Correo*, *La República*, *La Razón*, *La Primera*, *Expreso*, tabloids *Ojo*, and *El Popular*, and the official gazette *El Peruano*, founded in 1825, which acts as the official newspaper of record. All laws passed in Peru must be published in this daily. Additionally, *Caretas*, a weekly magazine founded in 1950, is one of Lima's most influential news publications.

In August 2013, El Comercio Group acquired from the EPENSA Group the control over printing, circulation and publicity of *Correo*, *Ojo* and *El Bocón*. EPENSA retained control over the editorial line.

Radio enjoys the largest audience of all communications media, reaching even the most isolated populations in Peru. It is often the first source of current news, and is the principal vehicle in the regions outside Lima for transmitting information about local issues and events.

In all, there are over 4,694 radio stations in Peru, broadcasting on AM, FM, and short wave frequencies. Many of these stations are small storefront operations that serve relatively limited audiences. Radio's most influential source of news and information is "Radio Programas del Peru" (RPP). RPP is the only network with a national reach with transmitters and correspondents in virtually every important city in Peru. In most major

cities, including Lima, RPP leads most AM and FM ratings and it boasts an influential listening audience, as well as a TV station for simulcast.

Television permeates the urban environment in Peru and has become increasingly available to rural audiences as well. As in the United States, television is often the primary source of news for a majority of those who have access to it.

The most important players in TV are the six Lima-based television networks, along with a government-owned service, which for years was the only station available in many parts of Peru. These seven broadcasters use affiliates in the provinces much like their counterparts in the United States. In addition, there are numerous smaller independent stations that serve particular cities and regions.

Cable television has also begun to make inroads into the Peruvian market with over 100 cable TV and Multichannel Multipoint Distribution Service (MMDS) companies serving approximately 3.2 million homes in different areas of Peru. Canal N, a 24-hour cable news channel owned by *El Comercio* is highly influential. The main cable service companies are Telefónica del Perú (Spain) offering "Movistar TV", with 469,000 subscribers; the America Movil Group (Mexico) with its product "Claro TV" with 75,000 subscribers; the Caracol Group (Colombia), with its local product "Cablevision," with 57,000 subscribers; and the DirecTV Group (USA), offering its cable service "DirecTV," with 38,000 subscribers. Their packages include CNN and programming from other Latin American, Asian and European countries. The remaining cable companies are small firms offering their services in concentrated areas surrounding Lima or in the provinces.

Major Lima-based networks maintain news websites that correspond to their print and broadcast outlets. The most popular are RPP, *El Comercio*, Andina, Peru.21, and La Republica news service.

The most popular websites include Google and YouTube. At the same time, 94% of internet users access news sites. Blogging is still not popular enough to be a source of independent income and most bloggers are affiliated journalists or academics. Although social media has not yet been used successfully in Peru to organize a large scale political movement, in July 2013 it played a role in mobilizing public opinion against the political party bargaining that went into the designation of key GOP officials that resulted in their eventual removal. The U.S. Embassy Lima Facebook page has over 120,000 fans and the Twitter account has over 24,000 followers including many of Peru's leading opinion makers.

Pricing

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In general, Peru is an open market, with minimal trade restrictions. The imports-weighted average tariff is 1.8% and the simple average is 3.2%. Distributor mark-up varies according to type of product, but usually ranges between 12% and 25%. All imports are subject to an 18% value-added local sales tax, which can be used as a tax credit by the importer. There are some exceptions: enterprises established in industrial free zones and special treatment zones; and companies that have their operations in the jungle regions of Loreto, Ucayali, Madre de Dios, Amazonas, and San Martin, in accordance with the Peruvian-Colombian Amazon Cooperation Treaty. Some luxury items have higher tariffs and some specific goods such as cigarettes, beer, wine, and liquors pay an excise tax according to the lists and rates included in Appendixes III and IV of Legislative

Decree No. 821 (passed on April 23, 1996). In December 2007, the 10% excise tax for new automobiles was eliminated, and the excise tax applied to used cars was left at 30%. Imports from countries with which Peru has bilateral or regional agreements are covered by different, preferential tariff schedules.

Sales Service/Customer Support

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Peruvians consider service and support a critical factor in making the final purchasing decision, especially for products that require periodic servicing. It is important for the product to be sold through a reliable distributor that offers the quality and services that the client requires. For example, servicing and availability are currently the two perceived advantages that new Asian autos enjoy over their U.S. competitors in the Peruvian market. Another example would be mining equipment, where U.S. after-sales service enjoys a superior reputation to that of third-country competitors.

Protecting Your Intellectual Property

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IP Rights Climate in Peru

While the legal framework for protection of intellectual property (IP) in Peru has improved over the past decade, enforcement mechanisms remain weak. Piracy remains a significant and endemic problem for legitimate owners of trademarks, copyrights, and patents in Peru. Peru has remained on USTR's Section 301 "Watch List" since 2001 due to continued high piracy rates and inadequate enforcement of IP laws. Weak or unenforced penalties for IP violators also contributed to the Watch List determination.

Under the U.S.-Peru Trade Promotion Agreement (PTPA), Peruvian law must provide the same protection for U.S. companies as Peruvian companies in all IP categories. The PTPA provides for improved IP protection on a broad range of IP rights. Such improvements include: protections for digital products (e.g., U.S. software, music, text, and video); protection for U.S. patents, trademarks and pharmaceutical and agrochemical test data; legal penalties to deter piracy; and an electronic system to register and maintain trademarks.

Despite PTPA implementation and recent changes in laws which create stricter penalties for some types of IP theft, egregious IP rights infringement persists. The judicial branch continues to fail in imposing sentences that adequately deter future IP theft. Prosecutors are not increasing the number of piracy cases they pursue through the entire process to final judgment. Furthermore, the Peruvian public knowingly and openly continues to purchase pirated software, CDs, DVDs, pharmaceutical products, books, and other products. Peruvians purchase pirated and counterfeit products from vendors who operate in the open, as neither party fears punishment by their government which has shown little will to prosecute these illegal actions. The Peruvian government has occasionally carried out raids against individual vendors of pirated goods, but few against criminal gangs that control the supply and distribution chains.

Peruvian government institutions, often with the support of the U.S. Embassy in Lima, sponsor public awareness campaigns about the damage that IP theft causes the Peruvian economy and personal health risks from counterfeit medicines to individuals.

Peruvian newspapers highlight stories how piracy harms Peruvians, including counterfeited books by Peru's Nobel Laureate Mario Vargas Llosa.

The International Intellectual Property Alliance (IIPA) estimates that 98% of recorded music in Peru is pirated. The Business Software Alliance and the International Data Corporation (IDC) estimate that software piracy levels decreased from 71% in 2009 to 68% in 2012. While larger U.S. and foreign software companies have been able to provide heavily discounted or free cloud-based versions of their products, smaller software companies continue to struggle to prevent their products from being pirated. The majority of individually-owned motion pictures in Peru are pirated. Peru's piracy rate remains higher than the regional (61%) and global (42%) averages for software piracy.

U.S. pharmaceutical and agro-chemical industries claim that the Peruvian government fails to provide data exclusivity protection for their products. For instance, the Peruvian government does not provide patent linkage or "second use" medical patents. The pharmaceutical industry also claims the Peruvian government does not offer any extension of the patent term for pharmaceutical products to compensate for delays at the patent office. The agro-chemical industry has complained of government mechanisms that allow for the importation of generic copies that infringe on their registered patents.

The Peruvian government agency charged with promoting and defending intellectual property rights is the Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPi, <http://www.indecopi.gob.pe/>), established in 1992. Peru belongs to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). Peru's legal framework provides for registration of trademarks, and inventors have been able to patent their inventions since 1994. Peru's 1996 Industrial Property Rights Law provides an effective term of protection for patents and prohibits devices that decode encrypted satellite signals. Peruvian law does not provide pipeline protection for patents or protection from parallel imports. Peru's Copyright Law is generally consistent with the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property (TRIPS).

Protecting Your Intellectual Property in Peru:

Several general principles are important for effective management of intellectual property ("IP") rights in Peru. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Peru than in the U.S. Third, rights must be registered and enforced in Peru, under local laws. Your U.S. trademark and patent registrations will not protect you in Peru. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Peru market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Peru. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own

counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Peru law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Peru require constant attention. Work with legal counsel familiar with Peru laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Peru or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit www.STOPfakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <http://www.uspto.gov/>.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the STOPfakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.stopfakes.gov/business-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contains contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. The IP attaché who covers Peru is: Albert Keyack (based in Brazil) albert.keyack@trade.gov.

Due Diligence

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U.S. businesses considering exporting to or investing in Peru should perform due diligence on their potential clients, associates, or partners. As a first step, the International Company Profile (ICP) program of the U.S. Commercial Service can provide a background check on the reliability of potential clients or partners. The ICP report includes information on a company’s owners, year established, size, sales, financial information and reputation in the market. The Commercial Service and the Economic Section of the U.S. Embassy in Peru are also available to provide commercial and economic briefings to U.S. businesspersons traveling to Peru.

Local Professional Services

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Private Banks

Banco Azteca: <http://www.bancoazteca.com.pe>

Banco Cencosud: <http://www.bancocencosud.com.pe>

Banco de Comercio: <http://www.bancomercio.com.pe>

Banco de Crédito: <http://www.viabcp.com>

Banco Falabella: <http://www.bancofalabella.com.pe>

Banco Financiero: <http://financiero.com.pe>

Banco GNB Peru: <http://bancognb.com.pe>

Banco Interamericano de Finanzas: <http://www.bif.com.pe>

Banco Internacional del Peru – Interbank: <http://www.interbank.com.pe>

Banco Ripley: <http://www.bancoripley.com.pe>

Banco Santander: <http://www.santander.com.pe>

BBVA Banco Continental: <http://www.bbva BANCOCONTINENTAL.COM.PE>

Citibank: <http://www.citibank.com.pe>

Deutsche Bank: <http://www.db.com.pe>

Mibanco: <http://www.mibanco.com.pe>

Scotiabank: <http://scotiabank.com.pe>

Accounting/Business Consultants

Apoyo S.A.: economic studies, business consulting, market research, opinion surveys, multi-customer studies, strategic communication: http://www.apoyo.com/default_eng.asp
(English spoken)

ConsultAndes: executive advisory, business development, public relations, community relations and public responsibility, crisis management, corporate communications, security: <http://www.consultandes.com.pe> (English spoken)

DBM: outplacement consultant and career transition services: <http://www.dbmperu.com>

ERM: environmental consulting services: <http://www.erm.com/en/Locations/Peru>

Ernst & Young: accounting, auditing and tax advisory: <http://www.ey.com>

KPMG Caipo y Asociados: auditing, tax and financial advisory: <http://www.pe.kpmg.com>

LB&C Logistics Business & Consulting: supply chain security, international trade, legal services: <http://www.lbcperu.com>

Macroconsult: economic studies, business consulting, market research, infrastructure, regulation and competition, investment banking: <http://www.macroconsult.com.pe>
(English spoken)

Malaga - Webb & Asociados: business restructuring, continuous improvement, corporate finance: <http://www.malaga-webb.com>

Organizacion Cuanto: economic studies, social studies, polls, market research: <http://www.cuanto.org>

Pricewaterhouse Coopers SCRL: auditing, accounting, tax and legal services: <http://www.pwc.com>

Credit Rating Agencies

Coface Peru: <http://www.coface.com.pe>

Dun & Bradstreet S.A.C.: http://www.dnbperu.com.pe/eng_default.asp

Informa Peru S.A.: <http://www.informadelperu.com>

Credit Reporting Agencies

Experian Peru: <http://www.datacredito.com.pe>

Infocorp/Equifax: http://www.equifax.com/home/es_pe

Sentinel: <http://www.sentinelperu.com>

Xchange Peru: <http://www.xchange.com.pe>

Executive Search

Amrop Hever: <http://www.amrop.com>

Boyden International: <http://www.boyden.com/offices/lima>

Korn/Ferry International: <http://www.kornferry.com>

Tasa Worldwide: http://www.tasaworldwide.com/index_en.html

Law Firms

Barreda Moller: <http://www.barredamoller.com/en> (Bilingual)

Barrios, Fuentes, Urquiaga Abogados: <http://www.bafur.com.pe> (Bilingual)

Estudio Aurelio Garcia Sayan Abogados: <http://www.garciasayan.com> (Bilingual)

Estudio Echeopar: <http://www.echecopar.com.pe> (Bilingual)

Estudio Ferrero Abogados: <http://www.ferrero.com.pe>

Estudio Grau Abogados: <http://www.estudiograu.com> (Bilingual)

Estudio Olaechea: <http://www.esola.com.pe> (Bilingual)

Muniz, Ramirez, Perez-Taiman & Luna Victoria Abogados: <http://www.munizlaw.com> (Bilingual)

Payet, Rey, Cauvi Abogados: <http://www.prc.com.pe> (Bilingual)

Rey & de los Rios Abogados: <http://www.reyrios.com/indexeng.htm> (Bilingual)

Logistics

Maersk Sealand, ocean carrier: <http://www.maerskline.com/peru> (Multilingual)

Neptunia S.A.: <http://www.neptunia.com.pe> (Bilingual)

Ransa, logistics operator: <http://www.agenciasransa.net> (Spanish)

Scharff Logistica Integrada S.A.: <http://www.scharff.com.pe> (Bilingual)

Moving

Atlas International Service S.A.: <http://www.atlasperucorp.com> (Bilingual)

Express Transports S.A.: <http://www.express.com.pe> (Bilingual)

Security International Moving S.A.C., national and international moving: <http://www.simoving.com.pe> (Bilingual)

Risk-Rating Agencies

Apoyo & Asociados Internacionales S.A.C. Clasificadora de Riesgo: <http://www.aai.com.pe>

Clasificadora de Riesgo Pacific Credit Rating S.A.C.: <http://www.ratingspcr.com>

Class & Asociados S.A. Clasificadora de Riesgo: <http://www.classrating.com>

Equilibrium Clasificadora de Riesgo S.A.: <http://www.equilibrium.com.pe>

Telecommunications

Claro (Telmex Perú S.A.), telecommunications services: <http://www.claro.com.pe>

Movistar (Telefonica S.A.), telecommunications services: <http://www.movistar.com.pe>

Nextel Peru S.A., mobile phone service: <http://www.nextel.com.pe>

Web Resources

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Antitrust, Unfair Competition Intellectual Property Protection, Consumer Protection, Dumping, Standards and Elimination of Bureaucratic Barriers Agency (INDECOPI): <http://www.indecopi.gob.pe> (Bilingual)

Central Bank: <http://www.bcrp.com.pe> (Bilingual reports and statistics)

Government Procurement Supervisory Agency: <http://www.osce.gob.pe> (Spanish)

inPERU, non-profit organization set up by Peru's main business organizations to promote foreign investments to Peru: <http://inperu.pe> (English)

Ministry of Energy and Mines: <http://www.minem.gob.pe> (Spanish with limited bilingual content)

Ministry of Foreign Affairs:

<http://www.rree.gob.pe/promocioneconomica/invierta/Documents/business-nvestment-guide-2013-MINISTERIO-RREE-baja.pdf>

National Interconnected System Operation (Comité de Operación Económica del Sistema Interconectado Nacional, COES-SINAC): <http://www.coes.org.pe> (Spanish)

OSCE's opinion on "government to government" procurement:

<http://portal.osce.gob.pe/osce/sites/default/files/Documentos/legislacion/Legislacion%20y%20Documentos%20Elaborados%20por%20el%20OSCE/Opiniones-2012/078-12%20-%20PRE%20-%20MINDEF%20-%20Ambito%20aplic.LCE%20contrat.gob.%20a%20gob.%20ver.final.doc> (Spanish)

Peru Export and Tourism Promotion Board, PromPeru: <http://www.promperu.gob.pe> (Spanish)

Peru Travel, Peru Travel Information and Vacations Guide: <http://www.peru.travel>

Private Investment Promotion Agency – ProInversión: <http://www.proinversion.gob.pe> (Bilingual)

Public Registry (SUNARP): <http://www.sunarp.gob.pe> (Spanish)

Securities and Exchange Supervisory Agency (SMV): <http://www.smv.gob.pe> (Spanish)

SUNAT – Peruvian foreign trade statistics:

<http://www.aduanet.gob.pe/aduanas/informae/boleindi.htm>

SUNAT - Information for Foreign Investors: <http://inversionistaextranjero.sunat.gob.pe>

Tax and Customs National Superintendence (SUNAT): <http://www.sunat.gob.pe> (Spanish)

United Nations Office for Project Service: <http://www.unops.org> (Bilingual)

U.S. Trade Representative (USTR): <http://www.ustr.gov>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Construction Equipment

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	2,530	2,338	2,222	2,344.2
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	120	111	98	103.4
Total Imports	2,650	2,449	2,320	2,447.6
Imports from the U.S.	605	520	565	596.1
Exchange Rate: 1 USD	2.55	2.80	2.76	2.80

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Global Trade Atlas

2013 Import Market Share (percent for U.S. and major competitors): United States 21.2; Brazil 17.0; China 12.4; Japan 11.0; Germany 6.7; South Korea 3.5; South Africa 3.0; Sweden 2.8.

Construction has gained importance in Peru's economy since the early-2000s because several large mining, power generation plants, natural gas production and transportation projects began their construction phase. Also of key importance was the boom of housing and office buildings, closely followed by infrastructure development. The industry underwent a substantial modernization in recent years. Construction companies imported modern construction equipment like mixers, cranes, excavators, dump trucks, and other equipment, which led to drastically reduced construction times.

Peru's rapid economic growth made evident the existence of a large infrastructure gap. In almost every area of the country there is pent-up demand for both public and private infrastructure, such as roads, telecommunications, ports, airports, water and sewage and electrical lines. A study by the local Universities of the Pacific and ESAN, commissioned by the Association for the Promotion of National Infrastructure (AFIN) and released in October 2012, put the gap in infrastructure investment in Peru for the 2012-2021 period at \$88 billion, a steep figure for a country of a US\$200 billion GDP in 2012.

Demand for construction is also being driven by the steady growth of income, which went from \$2,541 per capita GDP in 2004 to \$6,782 in 2013. In the same period, the number of Peruvians living in poverty fell from 16.1 million (58.7%) to 7.3 million (23.9%).

Another significant change in the construction sector is the emergence of the Peruvian government as a partner to the private sector. In May of 2008, the government passed the Public-Private Partnerships (PPPs) legislative decree, which aims at facilitating the private investment promotion process through the creation, development, improvement, operation and maintenance of public infrastructure or the provision of public services. A

few days later, the government enacted the Works for Taxes (Obras por Impuestos) law. In accordance with this law, a private company may finance and implement public projects chosen by regional and local governments, and then deduct the investment amount from its income tax.

Sub-Sector Best Prospects

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The figures below represent each product's share of Peru's 2013 total imports in this sector.

HTS Code	Description	%
842952	Mech Shovels Excavators Etc W 360 Degree Sprstruc	20.7
842951	Mech Front-End Shovel Loaders, Self-Propelled	13.2
843149	Parts And Attachments Nesoi For Derricks Etc.	8.5
847490	Parts Of Mach For Sorting Etc Earth Stone Ores Etc	5.9
847420	Crushing/Grinding Mach For Earth Stone Mnerl Subs	5.4
843049	Boring Or Sinking Mach Nesoi, Not Self-Propelled	5.4
843041	Boring Or Sinking Machinery, Nesoi, Self-Propelled	5.4
842959	Mech Shovels, Excavators And Shovel Loaders Nesoi	5.0
842911	Bulldozers And Angeldozers, Self-Prop, Track Lay	4.5
843139	Pts For Lifting, Hndlng, Loading/Unldng Mach Nesoi	3.6

Opportunities

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Growth in the construction sector in 2014 will be spurred by a high demand in several areas. The need for transportation and communications infrastructure will contribute to growth of the construction sector, while the start/continuation of mining and energy projects and the continued demand for housing and office facilities will further boost the market.

The unremitting housing deficit throughout the country is expected to support construction activity. According to a study released in April 2014 by the government's Fondo MiVivienda (MyHome Fund), about 196,000 households plan to buy a home in the next two years. However, MiVivienda estimates that no more than 180,000 homes may be built in the same period. Furthermore, 276,000 families want to improve or expand their homes and are planning to do so in the next two years.

Peru's thriving construction sector provides a wide variety of investment opportunities. The ProInversión website, shown below, provides detailed information on many projects both large and small. Important projects requiring substantial capital investment such as:

- Lima and Callao Metro-line 2 and Av. Gambeta Branch, worth about US\$5.66 billion. PPP contract sigend by ProInversión in April 2014, with a construction period of just over five years.

- Chinchero International Airport, Cusco, ProInversión awarded the bid in late-April 2014, with an expected investment of US\$ 538 million and scope for further expenditures on expansion.
- Southern Gas Pipeline, with an estimated investment of US\$4 billion. ProInversión awarded the bid in July 2014.

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Fondo MiVivienda (MyHome Fund): <http://www.mivivienda.com.pe/> (Spanish)

Private Investment Promotion Agency – ProInversión: <http://www.proinversion.gob.pe/> (bilingual)

ProInversión Project Presentation - Projects portfolio 2014-2015 (April 2014, in English): http://www.proinversion.gob.pe/RepositorioAPS/1/2/JER/PROJECT_PRESENTATION/pt%20de%20proyectos%20ingles_pptx%20.pdf

Global Trade Atlas: <http://www.gtis.com/gta/>

Ministry of Transportation and Communications: <http://www.mtc.gob.pe/> (Spanish)

National Institute of Statistics and Informatics – INEI: <http://www.inei.gob.pe/> (Spanish)

Peruvian Chamber of Construction – CAPECO: <http://www.capeco.org/> (Spanish)

Association for the Promotion of National Infrastructure - AFIN: <http://www.afin.org.pe> (Spanish)

Electronic Commerce

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The Chamber of Commerce of Lima (CCL) estimates that electronic commerce will increase 20% in 2014, to sales of about US\$1 billion. Average spending would rise to \$100. The main drag for growth is the consumer fear that their credit/debit card information may be stolen online. Therefore, although the consumer may search for goods and compare prices online, they will buy and pay on delivery by any acceptable method (credit/debit card or cash), or pay over the phone with credit card. This situation is rather puzzling, as Internet-savvy consumers have been buying online for years from US e-suppliers, including books, medicines, and electronic gadgets. A number of companies offer a mailbox in Miami for deliveries in the US, and the companies take the goods to the buyer in Peru.

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Specials in the last couple of years, named “Shopping Day” or “Cyber [day/name]” (like Cyber Mom) have boosted e-commerce offering reduced prices. The goal of these initiatives is to give the consumer confidence to buy online. The Peruvian Chamber of Electronic Commerce (CAPECE) reported that commerce through mobile devices is beginning to take off. After an initial experience in 2013 mobile commerce, or m-commerce, in Peru will expand rapidly in 2014, according to the president of CAPECE. He explained that the increase comes from the fast expansion of smartphones sales, which doubled in 2013. However, e-commerce is still rather small due to the limited presence of local companies on the Internet. CAPECE reports that 63% of small businesses do not have websites and only five companies in Peru account for 83% of on-line advertising, which is around US\$100 million.

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The CCL reports that Peru boasts the third largest Internet user-hours in Latin America, over Chile and Colombia. This provides a significant advantage for the development of electronic commerce. Banks are continuously improving their security of online operations, which is leading to increased use of online banking. The CCL and other trade associations are organizing new specials along the lines of “Shopping Day” or “Cyber Mom” with increasing success.

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Peruvian Chamber of Electronic Commerce (CAPECE) <http://www.capece.org.pe>
Spanish only

Chamber of Commerce of Lima (CCL) <http://www.camaralima.org.pe> Spanish only

Banks Association of Peru (ASBANC), Technology Services
<http://www.asbanc.pe/contenidoweb/Default.aspx?ref=8&cont=83> Spanish only

Food Processing & Packaging Equipment

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	341.2	359.3	389.0	410.4
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	27.3	16.6	13.5	14.2
Total Imports	368.5	375.9	402.5	424.6
Imports from the U.S.	58.6	55.4	78.4	82.7
Exchange Rate: 1 USD	2.55	2.80	2.76	2.80

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Global Trade Atlas

2013 Import Market Share (percent for U.S. and major competitors): Italy 19.4; United States 14.7; Germany 10.7; China 10.0; Brazil 7.4; Spain 4.5; Switzerland 4.4; Netherlands 3.8.

A new trend is emerging in both packaged and unpackaged Peruvian foods. The use of local, Peruvian ingredients adds to the attraction of products for a variety of reasons. As a result, the Peruvian food industry is increasingly using native ingredients in its products. Packaged foods have embraced this trend, using local ingredients such as fruits, peppers, and Andean cereals. Due to the current success of using Peruvian ingredients in foods, this trend will continue in the long term. Increased efforts to unify Peru internally and promote Peru internationally also support this trend, as the use of Peruvian ingredients bolsters national unity and pride. There is also a small movement away from unpackaged foods towards packaged foods, though this trend is developing slowly. Packaging increases the lifespan of food as well as its sanitation. Economic growth supports this trend, as consumers are now more likely to pay slightly more for sanitary, packaged food. It is likely that products such as cheese, oils, fats, spreads, and bakery goods will benefit from this trend, as packaging greatly increases their lifespan.

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The figures below represent each product's share of Peru's 2013 total imports in this sector.

HTS Code	Description	%
842129	Filter/Purify Machine & Apparatus For Liquid Nesoi	21.53
841869	Refrigerating/Freezing Equipment, Nesoi	19.56
841989	Machine Etc For Mat'L Treatment By Temp Cont Nesoi	10.26
841950	Heat Exchange Units, Industrial Type	8.08

841981	Machinery Etc For Making Hot Drinks Cooking Heatng	6.92
842240	Packing Or Wrapping Machinery, Nesoi	6.31
842230	Machinery For Filling, Closing Bottles, Etc	5.7
842290	Parts For Machines For Dishwashing, Packing, Etc	4.31
841939	Dryers, Nesoi	1.89
843890	Parts Of Mach Of Ch 84, Nesoi,Ind Prep Food,Drink	1.78

Best prospects include fully integrated high technology equipment and machinery for processing and packaging purposes. This includes machinery for filling, closing, sealing, and labeling bottles, cans, bags or other containers; machinery for encapsulating bottles, jars, tubes and similar containers; machinery for aerating beverages; dairy machinery, heat exchange units; other packing or wrapping machinery. U.S. technology for closing, sealing, and labeling equipment, as well as rigid containers, are preferred by Peruvian firms

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EXPOALIMENTARIA PERU 2014 – International tradeshow of goods and services related to the food and beverages industry.
 August 27-29, 2014, Jockey Exhibitions Center, Lima.
<http://www.expoalimentariaperu.com/en/venue.aspx>

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Global Trade Atlas: <http://www.gtis.com/gta/>

Ministry of Production (Industry & Fisheries): <http://www.produce.gob.pe> (Spanish)

Manufacturer's Society: <http://www.sni.org.pe/> (Spanish)

Industrial Chemicals

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	872.3	1,016.7	926.3	977.2
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	436.0	337.1	311.0	328.1
Total Imports	1,308.3	1,353.8	1,237.3	1,305.4
Imports from the U.S.	367.7	368.0	353.7	373.2
Exchange Rate: 1 USD	2.55	2.80	2.76	2.80

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Source: Global Trade Atlas

2013 Import Market Share (percent for U.S. and major competitors): United States 27.2; China 15.2; South Korea 7.2; Mexico 6.5; Germany 4.7; Brazil 4.6; Australia 4.4; Colombia 3.8.

Peru's chemical industry production does not meet the local market demand. Local production is limited to acetylene, sulfuric acid, nitrogen, and oxygen. Exports to neighboring countries of Brazil, Chile, Ecuador, and Venezuela declined from \$435.1 million to \$337.1 million.

The industrial chemical industry is one of the most important suppliers for the main sectors in Peru, such as mining, construction, and agriculture. Manufacturing sectors requiring chemicals for their industries include textiles, plastics, paints, paper, detergents, cleaning products, cosmetics, and pharmaceutical industries. Overall chemical imports into Peru increased by 3.5% from 2012 to 2013. Main U.S. exports to Peru were nitrile-function compounds, mixed alkybenzenes, cyclic hydrocarbons, carbonates, and saturated acyclic noncarbon acids. U.S. imports showed a similar trend in 2012-2013. It is expected that in 2014 imports will increase at a percentage rate similar to that of 2013.

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The figures below represent each product's share of Peru's 2013 total imports in this sector.

HTS Code	Description	%
2926	Nitrile-Function Compounds	13.2
3817	Mixed Alkylbenzenes & Mixed Alkyl-naphthalene Neso	8.9
2902	Cyclic Hydrocarbons	8.4

2836	Carbonates; Peroxocarbonates; Comm Amm Carbonate	6.1
2915	Sat Acyclic Nonocarbox Acid & Anhyd, Halogon Etc	5.9
2905	Acyclic Alcohols & Halogenat, Sulfonatd Etc Derivs	5.8
3206	Coloring Matter Nesoi; Coloring Prep Nesoi, Etc.	5.1
3403	Lubricating Preps, Antirust & Treating Texiles Etc	4.8
3402	Organic Surf-Act Agents, Preps & Cleaning Preps	3.8
2837	Cyanides, Cyanide Oxides And Complex Cyanides	3.5

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The chemical sector will continue to grow based on imports of industrial chemicals for the Peruvian manufacturing sector. The mining and construction sectors are two of the main users of imported chemical products, and several manufacturing branches also depend on imported chemicals. The most important of those sectors are cosmetics, toiletries, detergents, food, pharmaceuticals, fertilizers, water treatment, and cleaning products. Peru's economic performance over the past ten years increased the demand for industrial chemicals. This demand will continue to grow with the realization of investment in the mining, construction, and infrastructure sectors.

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Global Trade Atlas: <http://www.gtis.com/gta/>

Manufacturer's Society – Chemical Industry Committee:
<http://comitedelaindustriaquimica-sni.com/IndustriaQuimica.html/> (Spanish)

National Institute of Statistics and Informatics – INEI: <http://www.inei.gob.pe/> (Spanish)

Private Investment Promotion Agency – ProInversión: <http://www.proinversion.gob.pe/>
 (bilingual)

Mining Industry Equipment

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	3,243.8	3,029.9	2,799.1	2,953.1
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	141.9	172.7	131.3	138.5
Total Imports	3,385.7	3,202.6	2,930.4	3,091.6
Imports from the U.S.	1,161.9	1,053.6	962.4	1,015.3
Exchange Rate: 1 USD	2.55	2.80	2.76	2.80

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Global Trade Atlas

2013 Import Market Share (percent for U.S. and major competitors): United States 32.9; Brazil 13.3; China 9.7; Germany 6.1; Japan 6.0; Sweden 3.6; Mexico 3.2; United Kingdom 2.5; Canada 2.4.

Mining is by far Peru's main export industry, accounting for approximately 60% of the nation's exports and receiving of most of the private investment in the country. Peru's Ministry of Energy and Mines (MEM) announced that investment in exploration, greenfield, and expansion projects reached a record of \$9.7 billion in 2013, 14.4% higher than in 2012.

In recent years, the mining industry has experienced many challenges. The growth of illegal gold mining and its environmental impact has tarnished the overall image of legitimate modern mining operations. As a result, regions like Piura, Cajamarca, Arequipa, Cuzco, Moquegua, and Puno experienced social conflicts and protests. In some cases protestors were motivated by legitimate fears of environmental degradation, and in others due to false information about the operations of modern mines or politically-motivated attacks against large business concerns. There have even been protests to reopen older mines to increase employment opportunities. In a number of cases, local communities found that protests were a useful tool to persuade the national government to increase expenditures on some basic services like schools, rural hospitals, potable water and roads.

Although in previous years companies protested that they could not substitute the government, they eventually realized that spending on community development could buy them peace to proceed with their projects. Peru's government has been steadily working to expand major anti-poverty initiatives and to bring social programs to isolated, poor communities in the country, many of which overlap with prime areas for the mining sector.

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The figures below represent each product's share of Peru's 2013 total imports in this sector.

HTS Code	Description	%
870423	Truck, Diesel Eng, Gvw > 20 Metric Tons	11.79
870410	Dumpers Designed For Off-Highway Use	11.07
842952	Mech Shovels Excavators Etc W 360 Degree Sprstruc	8.99
842951	Mech Front-End Shovel Loaders, Self-Propelled	7.08
847490	Parts Of Mach For Sorting Etc Earth Stone Ores Etc	6.78
847420	Crushing/Grinding Mach For Earth Stone Mnerl Subs	4.82
843149	Parts And Attachments Nesoi For Derricks Etc.	3.38
392690	Articles Of Plastics, Nesoi	3.19
842959	Mech Shovels, Excavators And Shovel Loaders Nesoi	3.17
842911	Bulldozers And Angeldozers, Self-Prop, Track Lay	2.88
841480	Air/Gas Pumps, Compressors And Fans Etc, Nesoi	2.54

When purchasing mining equipment, post-sale service is important. Mining companies require assembly, maintenance, parts, and operation training.

Peru's abundance of resources and steady investment since 1992 on production capacity places the country among the world's top producers of various materials. As of July 2014, Peru is second in the world in silver production; third in copper, tin, and zinc production; fourth in lead production; and fifth in gold production. Iron ore is Peru's fifth largest mineral export though its production does not rank high in the world. Its sustained production is based on its large mineral reserves, which rank the country among the top six in mineral wealth in the world. Only 15% of the territory is part of mining concessions, and only 1.2% is under mining exploration and production.

Peru's mines also provide ample export possibilities. From \$3.2 billion in 2000, metal mining exports soared to US\$27.4 billion in 2011, then decreasing to \$23.0 billion in 2013 as world metals prices receded. Copper exports represented 43% of the total value of mining exports in 2013. Gold was second with 34%.

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Peru is an attractive destination for mining investments due to its large mineral and metal reserves. Additionally, Peru is believed to have major undiscovered deposits. The nation's legal framework designed to attract private investment, the availability of cadastral and geological information, and economic stability all contribute to a promising investment climate. These factors explain the presence of global mining companies from the U.S., Canada, UK, Australia, Mexico, Brazil, and several others, with a large participation in recent years by Chinese firms. Investments in the sector have grown exponentially since 1992, reaching a record high of US\$9.7 billion in 2013. The Mining,

Petroleum and Power Society recently estimated that in 2014 the mining industry will invest US\$9 billion in projects and will purchase local goods worth US\$4.8 billion.

Local officials predict Peru's mining sector will attract US\$43.9 billion in investments from 2014 through the next five to ten years. The breakdown of these expenditures are US\$8.8 billion on expansion projects; US\$8.9 billion on projects with approved Environmental Impact Assessments or in construction; US\$2.1 billion on projects with filed Environmental Impact Assessments or in evaluation, and US\$24.1 billion on exploration. The country with the most investments in the sector is China, with a reported value of US\$9.9 billion (22.5%). It is followed by Canada with US\$8.9 billion (20.4%); Peru with US\$8.3 billion (18.9%); Switzerland with US\$5.2 billion (11.8%); the U.S. with US\$4.2 billion (9.6%), and Mexico with US\$3.2 billion (7.2%). Copper continues to be the most important mineral.

For details of the MEM's estimate of the main mining investment projects pipeline see: <http://www.minem.gob.pe/minem/archivos/file/Mineria/INVERSION/2014/cepm0114.pdf>

Key Industry Events

Mining Convention and Trade show: Perumin, September 21-25, 2015, Arequipa. Held every two years, this is the most important industry event in Peru.

<http://www.convencionminera.com/perumin32/>

U.S. Pavilion organizer: Kallman Worldwide, Inc.:

<http://www.kallman.com/exhibitor-zone/forms.php?tradeshowsID=182>

Expomina Peru, September 10-12, 2014. Held every two years in Lima

<http://www.expominaperu.com/english/>

U.S. Pavilion organizer: Kallman Worldwide, Inc.:

http://www.kallman.com/shows/perumin_2013/main.php/

International Gold & Silver Symposium, May 20 to 22, 2014, Lima - Held every two years: <http://www.symposium-del-oro.snmpe.pe/11-gold-symposium-english.html>

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Global Trade Atlas: <http://www.gtis.com/gta/>

Ministry of Energy and Mines: <http://www.minem.gob.pe/> (limited English content)

Ministry of the Environment: <http://www.minam.gob.pe> (Spanish)

Ministry of Production: <http://www.www.produce.gob.pe/> (Spanish)

National Institute of Statistics and Informatics – INEI: <http://www.inei.gob.pe/> (Spanish)

National Mining, Petroleum, and Energy Society: <http://www.snmpe.org.pe/> (Spanish)

Private Investment Promotion Agency – ProInversión: <http://www.proinversion.gob.pe/> (Bilingual)

Environmental Assessment and Control Agency – OEFA: <http://www.oefa.gob.pe>
(Spanish)

Energy and Mining Regulatory Agency - Osinergmin: <http://www.osinergmin.gob.pe>
(Spanish)

Oil & Gas Field Machinery

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	822.9	783.3	758.9	800.6
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	62.4	66.3	41.4	43.7
Total Imports	885.3	849.7	800.3	844.3
Imports from the U.S.	247.5	231.6	225.5	237.9
Exchange Rate: 1 USD	2.55	2.80	2.76	2.80

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Global Trade Atlas

2013 Import Market Share (percent for U.S. and major competitors): United States 27.2; China 18.6; Italy 6.9; Chile 4.2; Germany 4.0; Spain 4.0; Brazil 4.0; Sweden 3.9; Mexico 3.2.

Crude oil production in Peru has declined since 1980 when production was 196 thousand barrels per day (bpd). In 2013, production only reached 62.9 thousand bpd. This trend was the combined result of several factors, mainly changing policies, bureaucratic delays, and, in recent years, operational risks due to politically motivated opposition to the oil and gas industry.

On the other hand, since the commissioning in August 2004 of the giant Camisea deposit, production of natural gas and natural gas liquids soared. Peru produced just 50.6 million cubic feet per day (cfpd) of natural gas in 2003. In 2013, its production rose to 1.18 billion cfpd. Meanwhile, production of natural gas liquids went from 4.0 thousand bpd in 2003 to 104.6 thousand bpd in 2013. Camisea has engaged in a continuous expansion of its upstream and downstream facilities, including its fractionation plant in Pisco, Peru.

In addition, the U.S. firm Hunt Oil and its three partners carried out a liquefied natural gas project, Peru LNG, which at US\$3.8 billion was the largest single foreign direct investment ever made in Peru when construction began in 2006.

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The figures below represent each product's share of Peru's 2013 total imports in this sector.

HTS Code	Description	%
848180	Taps Cocks Etc F Pipe Vat Inc Thermo Control Nesoi	15.42

843049	Boring Or Sinking Mach Nesoi, Not Self-Propelled	12.15
843041	Boring Or Sinking Machinery, Nesoi, Self-Propelled	12.06
382490	Products And Residuals Of Chemical Industry, Nesoi	9.82
843139	Pts For Lifting, Hndlng, Loading/Unldng Mach Nesoi	8.16
842139	Filter/Purify Machine & Apparatus For Gases Nesoi	5.72
847989	Mach & Mechanical Appl W Individual Function Nesoi	5.38
843143	Parts For Boring Or Sinking Machinery, Nesoi	5.34
842129	Filter/Purify Machine & Apparatus For Liquid Nesoi	5.15
730429	Casing And Tubing,Oil,Gas Drilling, Iron Or Steel	5.08

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Peru's oil and gas potential is quite important. In its 2012 world assessment of undiscovered oil and gas resources, the U.S. Geological Survey (USGS) estimated that Peru's undiscovered oil and gas reserves at 2,914 million barrels of oil equivalent. This potential can support a major exploration and development effort. In this regard, the oil and gas licensing agency, PeruPetro, has been striving the last few years to increase the number of contracts of exploration/production blocks.

ProInversión, the agency in charge of promoting private investment, is working on the concession in 2014 of several projects including:

- Energy Security and Southern Gas Pipeline (awarded June 30, 2014. Estimated US\$3.6 billion, excluding VAT).
- Liquefied Natural Gas (LNG) Supply System for the Domestic market (in process, pending award. Estimated US\$250 million, excluding VAT).

The national petroleum company, PetroPeru, has begun this year its Talara Refinery upgrade project, worth about US\$3.5 billion. Furthermore, several foreign and local companies are active in exploration, drilling, and upgrading of production and refining facilities. The main producers are Pluspetrol, Petrobras, Savia, Sapet, Hunt, BPZ, Olympic, and Aguaytia.

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Global Trade Atlas: <http://www.gtis.com/gta/>

Ministry of Energy and Mines: <http://www.minem.gob.pe/> (some English content)

Ministry of Production: <http://www.www.produce.gob.pe/> (Spanish)

National Institute of Statistics and Informatics – INEI: <http://www.inei.gob.pe/> (Spanish)

National Mining, Petroleum, and Energy Society: <http://www.snmpe.org.pe/> (Spanish)

Perupetro S.A.: <http://www.perupetro.com.pe/> (Bilingual)

PetroPeru - Talara Refinery upgrade project: <http://www.petroperu.com.pe/pmrt/>:
(Spanish)

Private Investment Promotion Agency – ProInversión: <http://www.proinversion.gob.pe/>
(Bilingual)

Plastic Materials & Resins

Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	1,345.9	1,441.9	1,508.9	1,591.9
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	328.2	314.5	344.3	363.2
Total Imports	1,674.2	1,756.4	1,853.2	1,955.1
Imports from the U.S.	521.4	490.9	481.0	507.5
Exchange Rate: 1 USD	2.55	2.80	2.76	2.80

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Source: Global Trade Atlas

2013 Import Market Share (percent for U.S. and major competitors): United States 28.0; South Korea 11.8; China 11.5; Brazil 8.4; Saudi Arabia 7.4; Colombia 7.0; Taiwan 5.6; Mexico 4.0.

As Peru does not have a petrochemical industry, resins are mostly imported. The Peruvian plastic industry is currently producing final products among which are pipes, bags, bottles, home and office articles, flexible packaging, containers, and toys.

The U.S. is the main country-supplier of PVC resins in Peru. These products are important for the production of PVC pipes, which have a high demand in the local construction industry. Other suppliers include Taiwan, China, Brazil, South Korea, and Colombia.

The Peruvian plastic industry showed in 2010 the highest growth rate in a decade at 19.1%, driven by the demand for PET containers, flexible packing materials, PVC pipes, and other industrial accessories used in sectors such as mining, construction, agribusiness, fishing, cosmetics, food, and beverages. During the years 2011-2012, Peru faced strong competition from imported finished products of China, Korea, and India, as well as contraband products and merchandise. However, the sector maintained an overall growth of nearly 4%. Exports of plastic products to neighboring countries in the region also helped the local plastic industry.

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The figures below represent each product's share of Peru's 2013 total imports in this sector.

HTS Code	Description	%
3901	Polymers Of Ethylene, In Primary Forms	37.3

3904	Polymers Of Vinyl Chloride Etc., In Primary Forms	25.2
3906	Acrylic Polymers In Primary Forms	9.4
3902	Polymers Of Propylene Or Other Olefins, Prim Forms	6.8
3907	Polyethers, Exopoxides & Polyesters, Primary Forms	5.4
3920	Plates, Sheets, Film Etc No Ad, Non-Cel Etc, Plast	3.2
3919	Self-Adhesive Plates, Sheets, Film Etc Of Plastics	3.0
3903	Polymers Of Styrene, In Primary Forms	2.2
3905	Polymers Of Vinyl Acetate & Oth Vinyl Polym, Pr Fm	1.3
3909	Amino-Resins, Phenolics & Polyurethanes, Prim Form	1.1

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Despite the competition from Chinese, Korean, and Indian imports and contraband products, the plastics industry has shown signs of recovery and potential future growth. Greater demand for containers and boxes, PVC pipes and fittings, and plastic bottles among other products could offer substantial investment opportunities in the near future.

As noted by the Manufacturer's Society, the Peruvian plastics industry is associated with other industries such as food, beverages (bottles and containers), construction, and office and home supplies, and future demand continues to be bright as consumption and investment are still growing strongly, albeit at a slower pace than 2013.

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Global Trade Atlas: <http://www.gtis.com/gta/>

Manufacturer's Society – SNI; “Peru Produce” newsletter No. 596, p. 6, January 2014, Sector Report:
http://www2.sni.org.pe/servicios/boletinperuproduce/download/Peru_Produce_596.pdf
 (Spanish)

National Institute of Statistics and Informatics – INEI: <http://www.inei.gob.pe/> (Spanish)

Peru Export and Tourism Promotion Board– PromPeru: <http://www.promperu.gob.pe/>
 (Spanish)

Renewable Energy Equipment

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Renewable energy remains a largely unexploited market in Peru, currently only providing about 0.6% of the national energy supply. While hydroelectric power has traditionally provided the vast majority of Peruvian electricity, other forms of clean energy are largely absent in the Peruvian market. However, the passage of Legislative Decree 1002 in 2008 promoted the inclusion of renewable energy in the nation's energy matrix and fixed goals for its development, providing the grounds for greater investment in the industry. As defined by the Ministry of Energy and Mines, renewable energy includes energy generated by solar and wind systems as well as biogas, geothermal, biofuels, and small-scale hydroelectric under 20 M.W. While not currently in production, geothermal exploration is underway and may soon contribute to the national energy grid. Between the government's update of the national renewable energy targets, the third renewable energy concession auction, and the rapidly rising demand for energy, Peru offers a growing market for U.S. renewable energy exports.

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HTS Code	Description	2012 Imports from US (US \$ millions)
730890	Structures And Parts of Iron or Steel	193.6
854140	Photosensitive Semiconductor Device Including Photovoltaic Cells	147.7
843041	Boring Or Sinking Machinery, Self-Propelled	114.9
841182	Gas Turbines of Exceeding 5,000 Kw	103.9
850440	Static Converters; Adapters and Power Supplies	101.9
382490	Products And Residuals Of Chemical Industry	99.1
392690	Articles Of Plastics	90.2
853710	Controls with electrical Apparatus F Electrical Control Nov 1000 V	84.9
848340	Gears; Ball Or Roller Screws; Gear Boxes	76.4
854449	Insulated Electric Conductors =< 80	76.3

Source: World Trade Atlas

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Peru's energy market shows promise for several types of renewable energies, and potential investors and equipment suppliers should be aware that the industry still depends on government support.

Electricity generation in Peru has long been dominated by (low cost) hydropower, competing with expensive residual/fuel oil- and coal-fired power plants. That situation changed when the giant Camisea natural gas deposit started production in 2004. Then natural gas-based power generation became very competitive cost wise as crude oil prices continued their fast ascent, and Camisea gas price adjustments for the following years were limited by an amendment to the concession contract. Solar, wind and other renewable energies must compete on costs compared to natural gas rates if they are to be developed in Peru.

In order to increase the country's power generation capacity and to diversify its energy mix, in 2008 the government passed a legal measure, the Law to Promote Investment for the Generation of Electricity Using Renewable Energy. This and other laws provided subsidized power rates, dispatch priority, and other incentives in order to make feasible the construction of new renewable energies facilities. Under the above authorization, the government has conducted three bids, in 2010, 2011, and 2013, resulting in several generation facilities already in operation.

Declining equipment prices, improving technologies and, more importantly, steadily rising power demand in Peru for the foreseeable future bode well for the future of this industry in Peru.

Recent estimates released to the Peruvian media by Osinergmin, the supervising agency for investment in energy and mining, and COES, the state organization in charge of the national power grid, project substantial energy developments in the next five years. By the end of 2017, the government of Peru projects that renewable energy will provide 7% of the national energy supply following the installation of 300 MW of new power over the next five years. Below are the proposed additions to the energy grid by sector.

Projects	2014 (MW)	2015 (MW)	2016 (MW)	2017 (MW)
Bioenergy, Solar, Wind	34	106	50	0
Mini-hydro	72	152	239	40
Medium and large hydro	0	478	406	675
Gas	0	0	0	0
Diesel	219	58	400	0
Total (MW added per year)	325	794	1095	715

Source: Osinergmin, COES

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Ministry of Energy and Mines (MINEM) – <http://www.minem.gob.pe>

Supervising Agency for Investment in Energy and Mining (Osinergmin),
<http://www.osinerg.gob.pe>

Private Investment Promotion Agency (ProInversion) – <http://www.proinversion.gob.pe>

National Mining, Petroleum and Energy Society (SNMPE) – <http://www.snmpe.org.pe>

Peruvian Association of Solar Energy (APES) – <http://www.perusolar.org/>

Wind Association (AEE) - <http://www.aeolica.org/>

Security & Safety Equipment

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	244.8	271.1	244.8	258.3
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	19.7	22.1	23.3	24.6
Total Imports	264.5	293.1	268.1	282.8
Imports from the U.S.	65.2	67.4	60.4	63.7
Exchange Rate: 1 USD	2.55	2.80	2.76	2.80

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Global Trade Atlas

2013 Import Market Share (percent for U.S. and major competitors): China 36.7; United States 23.0; Taiwan 4.7; Germany 3.4; Mexico 3.2; Brazil 2.4; Colombia 2.4; Italy 2.3.

Demand for residential, industrial and office security equipment remains strong in Peru. Public opinion polls in Lima and other large cities consistently find that inhabitants have a high sense of insecurity, with many people having been a victim of robberies and home-break-ins.

Companies (both in cities and at mines, oil and gas operations, and at other locations), government agencies, and households continuously invest in a wide range of security equipment designed to prevent break-ins by intruders and to aid security guards. Such instruments include surveillance cameras, alarms, lights, mesh netting, and barbed wire.

Revolvers for self-defense are the most common weapon used in Peru. The National Superintendency of Control of Security Services, and Weapons, Ammunition and Explosives for Civilian Use (SUCAMEC), an agency under the Ministry of Interior, is in charge of regulating and enforcing the applicable legislation, including issuing licenses to carry weapons.

To support and coordinate security activities among a group of its members companies in the mining and energy sectors, the National Society of Mining, Petroleum and Energy (SNMPE) created in February 1997 an organization named SARCC. This organization addresses emergency situations that threaten the safety of member company employees working in remote areas, providing services such as search/rescue operations, medical evacuation, etc. SARCC provides a number of resources to its members including training.

Sub-Sector Best Prospects

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The figures below represent each product's share of Peru's 2013 total imports in this sector.

HTS Code	Description	%
392690	Articles Of Plastics, Nesoi	31.3
630790	Made-Up Textile Articles, Nesoi	9.5
902000	Breathing Appliances & Gas Masks Nesoi; Parts Etc	8.9
842489	Mechanical Appliance For Projecting Liquids Nesoi	6.0
842410	Fire Extinguishers, Whether Or Not Charged	5.6
650610	Safety (Incl Sports) Hdgr,Whether/Not Lined/Trimmed	4.4
902710	Gas Or Smoke Analysis Apparatus	4.0
730830	Drs, Wndws A Frms A Thrshlds Fr Drs, Iron Or Steel	3.6
853110	Burglar Or Fire Alarms And Similar Apparatus	3.3
853190	Parts Of Electric Sound Or Visual Signaling Aprts	3.1

As organizations grow, they must develop strategies and databases to protect critical information and come up with the necessary formulas for further business development. Therefore, it is important to put protection measures in place before some internal or external threat arises. Peruvian companies invest a major part of their budgets in security services and technologies.

Opportunities

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With both homeowners and companies demanding security equipment, the security and safety equipment sector in Peru is promising for U.S. exporters. Consumers seek both personal safety products, such as revolvers, and preventative equipment such as alarms, surveillance cameras, and lights. Increased construction in residential and business areas indicates that these products will continue to be in high demand.

Seguritec Peru – International trade show

May 26-28, 2016

<http://www.thaiscorp.com/seguritec>

Web Resources

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Global Trade Atlas: <http://www.gtis.com/gta/>

Ministry of the Interior: <http://www.mininter.gob.pe/>

National Security Association: <http://sociedadnacionaldeseguridad.org/>

Telecommunications Equipment

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	3,094.5	3,086.1	2,946.3	3,108.3
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	76.2	81.3	35.6	37.6
Total Imports	3,170.7	3,167.4	2,981.9	3,145.9
Imports from the U.S.	232.3	238.3	226.0	238.4
Exchange Rate: 1 USD	2.55	2.80	2.76	2.80

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

2013 Import Market Share (percent for U.S. and major competitors): China 49.1; Mexico 13.3; United States 7.5; South Korea 4.4; Taiwan 3.4; Malaysia 2.7; Germany 2.5; Brazil 2.3.

The telecommunications sector currently accounts for 3% of GDP, and with GDP expected to expand 5% to 6% annually over the next several years, Peru's telecom sector is a promising area for investors. Peru's economic prosperity has created a constantly growing demand for telecom services throughout the country. As a result there has been a major expansion of telecommunication services to remote and rural areas, especially in mobile telephone and broadband access. The telecommunications regulator OSIPTEL reports that at the end of 2013 the number of mobile telephones in Peru was 29.95 million subscribers. This figure reflects 5.8 million lines that Movistar (with 55.3% market share) deregistered in November 2012 that do not produce traffic, and an undetermined number that America Movil Peru (with 39.6% market share) deregistered in May 2013). The boom in social networking, as well as the introduction of e-commerce, will continue to boost smartphone sales as well as the demand for internet access and services throughout the country. In fact, industry exports reported early in January 2014 that sales of smartphones and tablets will double in 2014 to 4.9 million smartphones and 1.6 million tablets.

Though demand is high, the telecommunications sector is not without difficulties. Telecom is one of the sectors most affected by Peru's infrastructure gap. Rural areas lack the cables, power sources, and economic incentive, while in the highly populated urban areas of Lima and other cities the fast growing demand for high-speed services keeps pressing the existing infrastructure. To address this predicament, the Peruvian government set in motion several projects, including a plan to create a National Fiber Optic Backbone to connect Lima with 22 regional capitals and 180 provincial capitals, with a US\$390 million investment. ProInversión awarded the bid in December 2013 to the Mexican TV Azteca-Tendai consortium.

The figures below represent each product's share of Peru's 2013 total imports in this sector.

HTS Code	Description	%
8517	Electric Apparatus For Line Telephony Etc, Parts	25.65
8544	Insulated Wire, Cable Etc; Opt Sheath Fib Cables	14.44
8537	Boards, Panels Etc Elec Switch And N/C Appar Etc.	13.09
8536	Electrical Apparatus For Switching Etc, Nov 1000 V	10.48
8523	Prepared Unrecorded Media (No Film) For Sound Etc.	8.04
8543	Electrical Mach Etc, With Ind Functions Nesoi, Pts	5.47
8535	Electrical Apparatus For Switching Etc, Ov 1000 V	3.68
8538	Parts For Elec Appar Etc Of Head 8535, 8536 & 8537	2.48
8529	Parts For Television, Radio And Radar Apparatus	2.35
8528	Tv Recvrs, Incl Video Monitors & Projectors	1.93

Telephones

Movistar (or Telefonica del Peru) is the main provider of land-line telephone services in Peru. In 2013, it had 79% of the installed 3.67 million lines. According to the National Household Survey (Encuesta Nacional de Hogares, "ENAH0"), during the third quarter of 2012, 30.5% of all homes had a fixed-line telephone. This service was more prevalent in Lima (58%) than in the rural areas of the country (2%). In 2013, landlines were only 12% of the mobile lines. Due to better coverage and accessibility in not only urban but also rural and remote areas, the usage of mobile telephones soared from 52,000 in the mid-1990s to almost 30 million lines in 2013. Notably, a mobile phone is a necessity for the large number of independent workers, who use it to fetch jobs. Thus, some recent studies have shown that household income is higher in households which have at least one mobile phone.

This positive trend in mobile telephone growth is expected to continue as personal income keeps increasing. The recent introduction of mobile banking might also contribute to the further development of the mobile telephone sub-sector. Thus far, most local banks (Banco de Crédito BCP, BBVA Banco Continental, Interbank and Scotiabank) offer this technology.

Broadband

Although Peru's government continues to work on the development of broadband access throughout the country, there are still limitations and gaps in the market. Lima and Callao dominate the broadband sub-sector as they together represented about 67% of the broadband market in 2012.

During the second quarter of 2012, 21.2% of households were reported to have internet access. While 41.1% of households in metro Lima have access, only 0.9% of rural

households have access. It is important to point out that only 42.2% of internet users access this service from their home, whereas 48.2% of users access the internet from public internet booths. However this latter number has dropped 5.8 percentage points in the last year.

In an effort to close the telecommunications gap in rural areas, the government's Telecommunications Investment Fund (FITEL) is formulating twelve projects with an investment value of more than US\$495 million for the next five years. The largest projects will cover nine regions, among them Cajamarca, Cusco, Ayacucho, Apurimac, Huancavelica and Piura.

In recent months, ProInversión has awarded bids of four radio-electric spectrum bands projects and seven major telecom projects.

Cable TV

Telecommunication services are divided into three areas: traditional (radio and television), telephones (fixed and mobile), and digital technology (computer ownership and internet access). The area of radio and television has higher penetration access rates (81.6%) than the other two areas.

ENAHO statistics from September 2012 indicate that 31.5% of all households had cable TV access. Lima has the highest concentration (57.7%). In other urban areas 29.1% were reported to have access to this type of service, while in rural areas this number is only 7%. When compared to last year, the data showed a 7% growth in the Lima metro area.

In 2010, Land Digital TV (or Television Digital Terrestre, TDT) became available in some parts of the country, requiring consumers to acquire ISDB-T tuners or decoders for analog equipment. As a result, Movistar began to offer these decoders to their clients with cable TV services.

Opportunities

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In the past few years, the Peruvian government has made efforts to expand telecommunications accessibility to everyone in the country. One of the main focuses has been the expansion of broadband backbone networks to rural and isolated areas, so market potential for companies that could provide the respective support services and/or equipment will continue. In April 2014, the Ministry of Transportation and Communications (MTC) requested ProInversión to tender an ambitious US\$1.1 billion project to provide Internet access to almost all of Peru's districts (boroughs) through the deployment of fiber optics. MTC's plan is to leverage the National Fiber Optic Backbone project, recently awarded to TV Azteca-Tendai as mentioned above, to connect 1,524 district capitals in all Peru's regions through broadband network.

Experts agree that the mobile telephones and broadband sub-sectors will experience the most growth in the telecommunications industry in the next two or three years. The development of LTE internet connection technology in Peru, as well as the introduction of the cloud computing system, mobile banking, and electronic wallets will encourage the market to distribute appropriate equipment, accessories, and support services.

The entrance of brands like Huawei and ZTE has made China the main equipment supplier in the telecommunications industry in Peru. U.S.-brand equipment, however, is still important in the market due to its reliability and quality.

Efforts are being made to make technology accessible to rural areas not only by the Peruvian government, but also by many forward-thinking companies that see significant opportunities in such developments. In 2012, Mozilla announced that its Firefox browser will soon be offered in Quechua (a language spoken by over 13% of Peruvians as a native language), while Google already has this option available.

Web Resources

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Global Trade Atlas: <http://www.gtis.com/gta/>

Ministry of Transportation and Communications: <http://www.mtc.gob.pe/> (Spanish)

Movistar – BAS Project (The Satellite Broadband project to isolated locations, BAS for its Spanish acronym): http://www.telefonica.com.pe/rc/acceso_iniciativas_proyecto.html/ (Spanish)

National Institute of Statistics and Informatics - INEI: <http://www.inei.gob.pe/> (Spanish)

Private Investment Promotion Agency – ProInversión: <http://www.proinversion.gob.pe/> (Bilingual)

Telecommunications Regulatory Agency– OSIPTEL: <http://www.osiptel.gob.pe/> (Spanish)

(Government's) Telecommunications Investment Fund – FITEL: <http://www.fitel.gob.pe/> (Spanish)

Firefox Quechua: <http://www.andina.com.pe/english/noticia-firefox-soon-available-in-quechua-to-promote-digital-inclusion-399139.aspx>

Rural Fiber optic network in Tacna: <http://www.andina.com.pe/english/noticia-cisco-powers-rural-fiber-network-deployment-in-peru-443459.aspx>

Ministry of Education: <http://www.minedu.gob.pe/> (Spanish)

Alternaperu (consultant): <http://www.alternaperu.com/> (Bilingual)

OVERALL TRENDS:

In 2013, Peru achieved its 15th consecutive year of economic growth at 5%. Although growth has not been as strong since 2010, Peru still is one of the best performing economies in Latin America. Due to the continued uncertainty in the global market, growth projections for Peru in 2014 are 4.0% and 5.0% for 2015, still below its potential.

Hydroelectric/Energy Industry:

- There is a huge potential for the development of hydroelectric projects in Peru, which some experts believe can reach a capacity of over 60,000 megawatts (MW). Parts of the transmission system, especially in southern Peru, have experienced repeated overloads in recent years, with some blackouts.
- Some experts and business people think that the energy regulator, OSINERGMIN, set an incorrect price signal since the late 1990s, which discouraged power and transmission companies from building new plants and reinforcing or installing new power lines. The comparatively cheap price of natural gas in Peru since around 2005 compounded the hydro generation situation, as gas-fueled turbines became quite inexpensive to operate.
- To address the situation and allow the market to (almost freely) set power and transmission rates, the Peruvian government started open tenders to build generation plants and transmission lines. OSINERGMIN and ProInversion have concluded several of these processes, with the latter calling for more bids. Tenders awarded include two 500 MW-power plants that will be built in southern ports of Mollendo and Ilo, awarded in November 2013, and the 900 km-500 kV Mantaro-Montalvo transmission line and associated substations, awarded in July 2013. The two dual fuel plants will use diesel No. 2 until a projected natural gas pipeline is built in southern Peru.

Fisheries:

- The sector increased 12.7% in 2013, almost completely recovering from the 13.4% fall in 2012.
- Due to the high productivity of the Peruvian waters, the high nutritional value of its products, and the diversity of its species (most of them underused), Peru has great potential in the fishing sector. Chinese companies, big consumers of fishmeal, have been buying fishmeal plants and fishing fleets.

Retail:

- The retail industry continues to grow steadily, with local investors keenly competing with Chilean-owned department stores and shopping malls. The expansion of supermarkets, strip malls, and recreation centers in Lima and the provinces is an indication of the growing purchasing power of the population and the increasing popularity of buying at chain retail centers.

Construction:

- This industry has been booming since 2005, with homes; manufacturing plants; strip malls; mines; natural gas facilities; roads; electrical plants, and other facilities being built. The industry grew 8.6% in 2013, averaging 11.8% since 2005.

Product Statistics & Data (PS&D) Code: Hard Wheat (1000 MT—*not US\$*)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Market Size	1,970	1,990	2,037
Total Local Production	220	230	233
Total Exports	0	0	0
Total Imports	1,750	1760	1804
Total Imports from U.S.	1,000	165	647

Comments: Peru produces about 233,000 metric tons (MT) of soft wheat annually, which is used locally for traditional foods, and is not sold into processing channels. Most wheat is processed into flour for bread and pasta. The U.S. market share in 2013 was 36 percent. Other important suppliers are Argentina and Canada. Wheat imports into Peru are duty-free. An 18% value-added tax remains in place.

Product Statistics & Data (PS&D) Code: Cotton (1000 MT)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Market Size	110	91	88
Total Local Production	35	38	32
Total Exports	1	1	1
Total Imports	75	53	57
Total Imports from U.S.	75	53	57

Comments: Peruvian textile and apparel exports to the United States are expected to continue recovering from the 2008/09 international financial crisis. Exports are expected to reach US\$1.6 billion in 2014. The U.S.-Peru Trade Promotion Agreement (PTPA) grants duty-free access to Peruvian textiles.

Product Statistics & Data (PS&D) Code: Yellow Corn (1000 MT)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Market Size	3,174	3,064	3,455
Total Local Production	1,235	1,324	1,450
Total Exports	0	0	0
Total Imports	1,939	1,740	2,005
Total Imports from U.S.	66	1	220

Comments: Peru imports corn from Argentina and the United States. Corn from all origins is imported into Peru duty-free. However, due to the PTPA, Peru cannot assess the price band levy to within tariff-rate-quota (TRQ) U.S. corn. Yellow corn in Peru is used mainly for poultry production. At about 42 kilograms per capita, the consumption rate of poultry is one of the highest in the region. Another good export prospect is Dried Distillers Grain.

Product Statistics & Data (PS&D) Code: Soybean Meal (1000 MT)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Market Size	990	1,045	984
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	990	1,045	984
Total Imports from U.S.	80	107	37

Comments: Peru imports soybean meal primarily for poultry feed. Bolivia was the leading soybean meal exporter to Peru in calendar year (CY) 2012 with a 59% market share. Soybean meal from all origins enters Peru duty-free.

Dairy Products

Whey (MT)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Market Size	7,142	8,566	9,418
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	6,004	8,566	9,418
Total Imports from U.S.	1,010	2,013	3,822

Comments: Total whey imports into Peru increased 2 percent in 2013, mainly due to increased production in the processing industry. Imports from the United States increased 47 percent compared to 2012 due to better prices. The United States with a 41 percent market share is currently the major supplier; Chile with 27 percent market share is Peru's second largest whey supplier.

Cheese (MT)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Market Size	24,531	30,446	33,085
Total Local Production	21,322	26,790	28,613
Total Exports	24	38	50
Total Imports	3,233	3,694	4,522
Total Imports from U.S.	1,922	2,130	2,375

Comments: In 2013, imports from the United States account for 53 percent of the market. Argentina and New Zealand account for 21 and 7 percent respectively of Peru's cheese imports. The food processing and food service industries are two main destinations for this product. The PTPA provides a TRQ of 2,500 MT with a 12 percent increase per year. Currently the quota is 4,406 MT.

Beef and Offal (MT)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Market Size	271,493	278,767	306,334
Total Local Production	252,841	259,785	287,299
Total Exports	62	75	45
Total Imports	18,659	18,493	19,080
Total Imports from U.S.	5,459	5,892	8,134

Comments: In 2013, U.S. beef and offal imports have grown 38 percent since 2012. The U.S. Meat Export Federation has been actively involved in promotional activities within the region. Peru's stellar economic performance in years has been instrumental in driving consumer preferences towards high-quality products.

Pet Food (MT)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Market Size	36,229	43,606	49,722
Total Local Production	28,817	34,284	38,493
Total Exports	4,938	5,371	5,268
Total Imports	12,350	14,693	16,497
Total Imports from U.S.	2,160	2,972	3,260

Comments: With growing urbanization, Peruvians are increasingly becoming household pet owners. Four foreign and domestic companies dominate the pet food sector, the largest of which include Rinti Sociedad Anonima (SA) and Molitalia. Peru's second largest pet food manufacturer Alicorp has recently been acquired by Molitalia. In 2013, Argentina (38%), Colombia (26%), and the United States (20%) dominated Peru's imported pet food market.

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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Peru imposes no duties on 56% of the items in its tariff schedule (4,224 codes covering some agricultural and intermediate goods, capital goods not produced locally, drip irrigation systems, some vehicles, books, some information technology items, cement, liquefied petroleum gas, some fuels, energy saving bulbs, and bank notes); 6% duties on 34% of the items (2,538 codes mainly regarding consumer goods and some intermediate goods); and 11% duties on 10% of the items (792 codes including rice, sugar, vegetables, dairy products, beef and beef products, chocolate, textiles, apparel, footwear, and other agricultural products). The non-weighted average tariff is 3.2% (including surcharge), down from over 60% in the mid-1990s.

Most imports (93% of codes) are also subject to an 18% value added tax (VAT), as are domestically produced goods. In addition, an excise tax (ISC) is applied to certain products such as tobacco and alcoholic beverages. There are no quantitative import restrictions.

Trade Barriers

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In March 1991, Peru introduced an import surcharge on a number of basic agricultural commodities; rice, corn, sugar and dairy products are still subject to potential surcharges. The government argues that the surcharges are necessary to offset exporting countries' subsidies. The surcharges were calculated on a weekly basis, according to prevailing international prices for each commodity. The government however began reducing the surcharges in increments in April 1994. In July 2001 this system was replaced by a "price band system" similar to that of the Andean Community. Thanks to the PTPA, U.S. agricultural goods are no longer subject to this price band system. Due to decreasing international prices, the surcharge on agricultural imports to Peru under the price band system is currently in effect for non U.S. exporters. This situation benefits U.S.-origin agricultural exports, providing American exporters with an advantage over international competitors in the Peruvian market.

The Peruvian tax and customs agency, Superintendencia Nacional de Administracion Tributaria (SUNAT), implemented in recent years new systems for collecting taxes (VAT and income) in advance as a means to assure tax collection throughout the distribution channel and to increase revenues. This system may not cause much trouble to some sectors but others are being hurt because their margins are smaller than the advanced payments.

Import Requirements and Documentation

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For imports, Customs (SUNAT) requires a Customs Merchandise Declaration (DAM – in Spanish), a commercial invoice, an airway bill or bill of lading, a packing list, and an insurance letter. If the product is imported from other Andean Community members (Colombia, Ecuador and Bolivia), a certificate of origin is required to qualify for tariff preferences. Several imports are subject to antidumping and countervailing duties. The list of products and countries is available at www.aladi.org. A certificate of origin is required for these products coming from other countries to avoid these duties. U.S. firms have experienced delays clearing products through Customs as a result of this requirement.

A food sanitary registry is required for processed food products (issued by [DIGESA's](#) Food and Environmental Health Bureau or a Sanitary Certificate for animal, plants, or their by-products issued by [SENASA](#)).

Goods can be brought into the country and kept in a bonded warehouse without paying import duties for up to twelve months. During that period the importer can pay the duties on the goods kept in the warehouse and clear customs, or re-export them. This can be done for the entire shipment or it can be broken down according to the importer's needs.

Sanitary and Phytosanitary Regulations are drafted, implemented and enforced by SENASA. U.S. exporters are encouraged to request from SENASA an updated list of SPS requirements through the importer before shipping products to Peru.

For food and beverages, the importer must submit a sworn application to [DIGESA](#) accompanied by a Certificate of Free Trade and Use issued by the health authority of the country of origin, the future label, and the registration receipt. If the certificate is not available, the importer should present a document issued by the Peruvian Consulate in the country of origin. The sworn application includes the contact information of the importer's company and the manufacturer, taxpayer's identification (RUC), the list of products requested and for each product its content, the results of physical-chemical and microbiological analysis, lot code system, expiration date, packaging material, and storage conditions.

For imports of pharmaceuticals, cosmetics, biological and bio-chemical preparations as well as medical equipment and devices, a prior registration from the Direccion General de Medicamentos y Drogas-DIGEMID of the Ministry of Health is required. This sanitary registry must be obtained before exporting the products to Peru. This procedure could take between six months to one year and must be performed by the local distributor or representative registered with DIGEMID. Imported products will appear under the name of the local registered company who fulfill the registration process as the representative

of the U.S. company. Sanitary registrations must be renewed every five years. For more information contact: DIGEMID www.digemid.minsa.gob.pe

Business travelers who bring along a rather big quantity of samples; brochures; gifts (pens, desk weights, or other), or similar articles, should be aware that SUNAT may deem those goods as merchandise and thus require the traveler to pay import duties upon entry, or otherwise to re-export the goods.

For exports, a Customs Merchandise Declaration (DAM), a commercial invoice and an airway bill or bill of lading are required. Export licenses are required for cultural relics and antiques. In addition, end-user certificates are required for the export or re-export of items on the international munitions list, the international chemical/biological warfare (CBW) list and the missile technology control regime (MTCR) list. Such licenses cover a marginal portion of total Peruvian exports—less than 1%.

U.S. Export Controls

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The U.S. government controls the export of weapons, ammunition, high technology machinery and equipment (e.g., certain high performance computers, precision industrial machinery, latest generation night vision equipment, polygraphs, etc.) and some chemicals (e.g., sodium cyanide).

Temporary Entry

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Some goods can be admitted into Peru temporarily for re-export within a year with a bond that guarantees the duties and taxes. The list with the 23 types of goods, Annex 1 to Resolucion Ministerial 287-98-EF/10 y modificatorias, is available at <http://www.sunat.gob.pe/>. Other documentation requirements are the same as those listed above.

Labeling and Marking Requirements

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Before reaching the point of sale, imported packaged foods must carry a separate adhesive label with a Spanish translation, including the importer/distributor's contact information and RUC (taxpayer number). Law 28405 (November 30, 2004) requires labeling for value-added products other than foods. If imported products do not comply with these requirements for customs clearance, importers are allowed to properly label them in private warehouses.

For food products, labeling requirements are relatively simple. Products normally retain their original labels, and the name and (RUC) of the manufacturer, importer, or distributor must be added to the packaging. The Ministry of Health, through its DIGESA bureau, is in charge of issuing the sanitary registration numbers for food products. The Consumer Protection Office of Peru's Consumer Defense Agency, INDECOPI is responsible for food and beverage labeling and advertising.

Food label contents must include the name of the product and country of manufacture. For perishable products, the following information must be included: expiration date, conservation instructions and warnings, ingredients, and net content of the product (by weight or volume). The label must also include information on dangerous ingredients. It

is mandatory to include the name, address in Peru of the manufacturer, importer or distributor as well as the taxpayer number (RUC), sanitary registration number obtained from DIGESA, risk warning, and emergency treatment, when applicable. Perishable products must have the information clearly and visibly in Spanish.

On March 7, 2011, INDECOPI published a draft regulation to Article 37 of the Consumer Protection and Defense Code – Law 29571 (approved by Congress on September 2, 2010). The regulation entered into force through a Supreme Decree later that year and details the procedures and requirements for implementing mandatory labeling for genetically modified (GM) products.

Food packaging must be made of harmless material, free of substances that could affect food safety. Likewise, packages must be manufactured so as to preserve the product's sanitary quality and composition throughout its useful life according to the Ministry of Health's sanitary standards. Packaging with recycled paper, cardboard, or plastic is forbidden.

Materials and food additives for food and beverage manufacturing must meet the health quality requirements established in the sanitary standards issued by DIGESA. The use of food additives not included in the list of additives permitted by the *Codex alimentarius* is forbidden. Flavorings accepted by the U.S. Food and Drug Administration (FDA) and the Flavor and Extractive Manufacturing Association (FEMA) are permissible.

Prohibited and Restricted Imports

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The list of prohibited/restricted items from importation can be found on the following website: www.sunat.gob.pe/orientacionaduanera/mercanciasrestringidas, which includes flour potassium bromate, mercuric oxide, carbon tetrachloride, among other chemical products. Used tires, clothing and shoes are also prohibited. Only donations of used clothing and shoes are exempt from the prohibition. Donations provided to the private sector must obtain an authorization from the “Agencia Peruana de Cooperación Internacional”, APCI (www.apci.gob.pe) before they arrive to Peru while donations to the public sector will require an authorization from the Peruvian Council of Ministers. Failure to meet these requirements may result in the shipper's or consignee's being assessed duties, fines, warehousing or other expenses before the donated goods can clear Customs. Other products that are prohibited for import are some insecticides and fireworks. Toxic waste is also restricted. Imports of used cars older than five years and used buses and trucks older than two years old are prohibited, as are used tires. Imports of live cattle from the United States are banned due to *Bovine spongiform encephalopathy* (BSE) concerns. Imports of remanufactured goods are permitted under the U.S.-Peru Trade Promotion Agreement. See <http://export.gov/FTA/peru/index.asp> for a list of market access provisions under the agreement.

Customs Regulations and Contact Information

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Imports with an FOB value in 2014 higher than about US\$ 4,070 (11,400 Nuevos Soles at the 2.80 exchange rate to the dollar, of three so-called tax reference units, Unidad Impositiva Tributaria-UIT) pay a 89.30 Nuevos Soles fee (2.35% of one UIT) for the “valuation service”. For 2014 one UIT is 3,800 Nuevos Soles (approx. US\$1,360). In

practice, Customs applies a US\$34 flat valuation fee. Items imported under the U.S.-Peru Trade Promotion Act – PTPA, are exempt from this fee.

As stated above in the “Import Requirements and Documentation” section, Customs’ priority is revenue generation rather than trade facilitation. Despite having signed the WTO customs valuation procedure, Peruvian customs uses a referential price verification system (Sistema de Verificación de Precios, SIVEP). Customs has a data base for price consultation of goods from each country, and from different suppliers. This allows for viewing and comparing declared values in commercial invoices and to make adjustments to identical or similar merchandise’s prices that are less expensive than the average file.

Peru’s customs do accept discounts, as long as it appears on the bill and is unincorporated from the normal sales value, but the reason for the discount should be indicated to see if it is acceptable.

Often, Customs requests that the importer provide a Manufacturer’s Price List. This document must be certified by Peru consulate in the country of purchase. This price list should not be addressed to the importer, but just with general information. This is very important in order to be accepted by Customs.

This system has prompted several complaints from local importers that Customs is assessing values above the real ones. One U.S. exporter has complained that Customs does not accept its invoices, valuing instead imports using price lists that do not consider distributor discounts. For Customs to accept the invoice value, it must be accompanied by a price list, and the discount must be described and detailed in the invoice. Payment terms must also be detailed. The Customs chapter of the US-PTPA addresses the referential pricing issue and is consistent with Peru’s WTO obligations.

Contact Information for Peruvian Customs:

Superintendencia Nacional de Administracion Tributaria

Av. Garcilaso de la Vega 1472, Lima, Peru

(511) 315-0730

Website: <http://www.sunat.gob.pe/>

Mr. Victor Martin Ramos, National Intendant of Tax Compliance (Intendente Nacional de Cumplimiento Tributario); vramos@sunat.gob.pe

Mr. Luis Enrique Narro, National Intendant of Taxpayer Service (Intendente Nacional de Servicios al Contribuyente); lnarro@sunat.gob.pe

Ms. Maria Ysabel Frassinetti, National Intendant of Customs Procedures (Intendente Nacional Tecnica Aduanera); mfrassinetti@sunat.gob.pe

Standards

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Overview

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INDECOPI, the Defense of Competition and the Protection of Intellectual Property Agency, <http://www.indecopi.gob.pe/> is the Peruvian standards development organization. Its Commission of Technical Regulations (CTR), created in 1992, addresses standards matters. The Commission has three functions:

- Approve technical standards and metrology regulations.
- Accreditation of the public or private institutions that may provide conformity assessments.
- Defense of free trade under World Trade Organization Technical Barriers to Trade (TBT) Agreement.

Standards Organizations

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The following is a list of the committees and directories inside the CTR working with standards issues:

- Committee for Testing Methodology
- Committee for Water Meters Testing
- Committee for Testing Laboratories
- Committee for Product Certifying Organizations
- Committee for Metrology Services
- Committee for Quality Management Accreditation
- Committee for International Standards Norms

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at <http://www.nist.gov/notifyus/>.

Conformity Assessment

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The following firms are certified by CTR to provide Conformity Assessment services:

- INASA- Phone: (511) 616-5200, <http://www.inassagroup.com.pe/>
- SGS del Perú: (511) 517-1900, <http://www.pe.sgs.com/>
- BSI Inspectorate Perú: (511) 613-8080, <http://www.inspectorate.com.pe/>
- EQUAS S.A.: (511) 349-4050, <http://equas.com.pe/>
- SG Nortek: (metrology services) (511) 572-2630, sgnortek@terra.com.pe

Product Certification

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Products coming from the U.S. will not have problems entering Peru if importers receive in advance all information regarding the products' composition and/or ingredients. The Peruvian standards body's (CTR) regulatory framework is similar to that of the U.S. It is common to hold seminars sponsored by ANSI, ASTM, NEMA and others to encourage conformity with global standards.

Accreditation

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There are accreditation bodies for different industries.

<http://www.digesa.sld.pe/>

The laboratories that can provide assistance to U.S exporters can be found at:

[http://www.indecopi.gob.pe/repositorioaps/0/0/jer/acre01/Direct_Organ_Eva_Conf/LabDeEnsayo/RelacionLab\(165\).pdf](http://www.indecopi.gob.pe/repositorioaps/0/0/jer/acre01/Direct_Organ_Eva_Conf/LabDeEnsayo/RelacionLab(165).pdf)

Publication of Technical Regulations

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The office responsible for publishing standards and notifying private and public organizations is the National Information Service (SNI-CRT) under CTR. This office is also responsible for notifying the WTO-TBT Committee about changes related to standards issues in Peru. It is under that scheme that the U.S. and other countries may comment on modifications and propose new standards.

Labeling and Marking

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In November 2004 Peru issued a new regulation on labeling and marking (Ley del Rotulado - Law 28405). This new law establishes that products exported to Peru should have a label with the following information:

- name of product
- country of origin
- address of exporter, importer, or distributor
- expiration date
- conservation method
- weight in metric system
- risks, if any, to use

International quality marks should be visible and easy to identify.

Contacts

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The contact information at INDECOPI and CTR in Lima is:
(511) 224-7800 ext.1261, fax (511) 224-7800 ext. 1296.

The points of contact regarding standards issues at the U.S. Foreign Commercial Service in the Embassy Lima are:

Ricardo J. Peláez, Commercial Counselor

Gustavo Romero, Commercial Specialist

Phone: (511) 434-3040.

Trade Agreements

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Peruvians and Americans benefit from the PTPA, which entered into force on February 1, 2009.

Peru has been a member of the Andean Community (and its predecessor, the Andean Pact) since 1969. The Andean Community is currently comprised of Peru, Ecuador, Colombia, and Bolivia. In January 2002, the member countries of the Andean Community agreed to establish an Andean free trade zone, a common external tariff (CET), and a customs harmonization policy by January 2004. However, Andean Community members have not implemented these measures.

Peru is a member of the WTO and became a full member of the Asia-Pacific Economic Cooperation (APEC) forum in November 1998. Peru also has free trade agreements with the United States, Canada, Chile, the European Union, China, the European Free Trade Association (which includes Iceland, Liechtenstein, Norway and Switzerland), Japan, Mexico, Panama, Singapore, South Korea, and Thailand. It has Framework Agreements with MERCOSUR countries (Argentina, Brazil, Uruguay, and Paraguay), the Andean Community of Nations (Bolivia, Ecuador, and Colombia), and a partial preferential agreement with Cuba. Agreements have been signed and are awaiting implementation with Costa Rica, Guatemala, and Venezuela.

Peru is participating in the negotiations of the Trans-Pacific Partnership (TPP), which aims to create a regional free trade agreement involving Australia, Brunei Darussalam, Chile, Canada, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. The Peruvian government also is finalizing free trade agreements with Honduras and El Salvador. The Pacific Alliance is a new economic block conformed by Mexico, Colombia, Peru, and Chile. It seeks the integration of the member countries and accounts for more than one third of Latin America's GDP.

Peru is currently the 32nd largest export market for U.S. goods. U.S. exports to Peru amounted to US\$10.1 billion in 2013.

Web Resources

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<http://www.ustr.gov/trade-agreements/free-trade-agreements/peru-tpa/>

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Peruvian government seeks to attract investment -- both foreign and domestic -- in nearly all sectors of the economy. Several high level Peruvian officials, including President Humala, the Minister of Economy and Finance, and the Central Bank President, have attended global business conferences and toured several countries in 2013 in an effort to attract foreign investment. Some of these tours were organized and sponsored by inPeru, a private industry organization (<http://inperu.pe>). Peruvians and Americans benefit from the United States-Peru Trade Promotion Agreement (PTPA) which entered into force on February 1, 2009. Since entry into force, total trade (exports and imports) between Peru and the United States has doubled from \$9.1 billion to \$18.2 billion. The PTPA establishes a secure, predictable legal framework for U.S. investors operating in Peru. The PTPA protects all forms of investment. U.S. investors enjoy in almost all circumstances the right to establish, acquire and operate investments in Peru on an equal footing with local investors.

The 1993 Constitution grants national treatment for foreign investors and permits foreign investment in almost all economic sectors. Under the Constitution, foreign investors have the same rights as national investors to benefit from any investment incentives, such as tax exemptions. In addition to the 1993 Constitution, Peru has several laws governing foreign direct investment (FDI) including the Foreign Investment Promotion Law (Legislative Decree (DL) 662 of September 1991) and the Framework Law for Private Investment Growth (DL 757 of November 1991). Other important laws include

the Private Investment in State-Owned Enterprises Promotion Law (DL 674), the Private Investment in Public Services Infrastructure Promotion Law (DL 758), and specific laws related to agriculture, fisheries and aquaculture, forestry, mining, oil and gas, and electricity. Article 6 of Supreme Decree No. 162-92-EF (the implementing regulations of DLs 662 and 757) authorizes private investors to enter all industries except investments in natural protected areas and manufacturing of weapons.

Some laws also require that Peruvians own a majority share in companies operating in certain sectors: media, air and land transportation, and private security surveillance services. Foreigners are legally forbidden from owning a majority interest in radio and television stations in Peru; nevertheless, foreigners have in practice owned controlling interests in such companies. Prior approval is required for domestic or foreign investment in banking (for financial regulatory reasons) and defense-related sectors. Under the Constitution, foreign interests cannot "acquire or possess under any title, mines, lands, forests, waters, or fuel or energy sources" within 50 kilometers of Peru's international borders. However, foreigners can obtain concessions and rights within the restricted areas with the authorization of a supreme resolution co-signed by the President of the Cabinet of Ministers and the corresponding Minister. This resolution should also have a favorable opinion from the Joint Command of the Armed Forces.

The Peruvian Government has passed several laws and implemented related regulations aimed at encouraging more private investment, including two important decrees in 2008. The first was a legislative decree containing the Law on Public-Private Partnerships (PPPs). The second decree presents a priority list of projects for PPPs. In 2014, Congress passed a law to reform regulations that would make PPPs less bureaucratic and more transparent, thus more attractive to foreign companies. Among these public-private partnerships are upgrades of major infrastructure projects of national importance: maritime ports (in San Martín (Pisco), Salaverry, San Juan de Marcona), the Amazon waterways- Marañón and other Amazonas rivers, Chinchero (Cuzco) airport project, Line Two of the Lima Metro system, a South American Integrated Regional Infrastructure Project (IIRSA), water supply to Lima and related headwater works, a southern gas pipeline and commensurate support infrastructure, an agricultural project (in Majes-Siguas), and three 220 kV power transmission lines. Project opportunities are available on ProInversion's Project Portfolio page, available at: <http://www.proyectosapp.pe/modulos/JER/PlantillaProyectoEstadoSector.aspx?are=1&rf=2&jer=5892&sec=32>.

Although all Peruvian administrations since the 1990s have vowed to support private investment and abide by Peruvian laws, the Peruvian Government occasionally has passed measures that some observers have regarded as contravening legal principles. For example, the Garcia Administration in 2011 rescinded a Canadian company's rights to operate a silver mining project in Puno after violent protests opposing the project. The Canadian company delivered to the Peruvian Minister of Economy and Finance a Notice of Intent to submit a claim to arbitration under the terms of the Canada-Peru Free Trade Agreement in February 2014. Furthermore, current President Ollanta Humala signed into law a 10-year moratorium on the entry into Peru of live genetically-modified organisms (GMOs) to be used for cultivation in December 2011. Peru also has implemented two inconsistent sets of rules for importing pesticides, one for "regular" importers, which is extremely restrictive and requires importers to file a full dossier with technical information, and another for farmers, which is rather loose and only requires a written affidavit.

The Peruvian Government created the Private Investment Promotion Agency, ProInversion, in 2002, based on an existing similar agency. ProInversion has completed both privatizations and concessions of state-owned enterprises and natural resource-based industries. Major recent concession areas include ports, power generation facilities, electrical transmission lines, oil and gas distribution, and telecommunications.

Peru has made significant strides in various areas measured in The World Bank’s “Doing Business” reports, including reformed procedures on starting a business, securing construction permits, registering property, and closing a business. Although Peru’s efforts to reform business start-up procedures made significant advances according to the 2011 report, Peru declined by three places in the World Bank’s business start-up ranking from 60th in 2013 to 63rd in 2014. At the same time, Peru lowered the average amount of time it takes to start a business from 41 days (in 2010) to 25 days (in 2014). Although the 2013 report noted Peru’s efforts to strengthen investor protections through a new law regulating the approval of related-party transactions and making it easier to sue directors when such transactions are prejudicial, the 2014 report does not show any relevant legal modifications for Peru.

Below follows a list indicating Peru’s rankings in international studies.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
Transparency International Corruption Perceptions Index	2013	83 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation Index of Economic Freedom	2014	47 of 186	http://www.heritage.org/index/about
World Bank Ease of Doing Business Rank	2013	42 of 189	http://doingbusiness.org/rankings
Global Innovation Index	2013	69 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	6, 060 USD	http://data.worldbank.org/country/peru

Peru received \$35.6 million Millennium Challenge Corporation Threshold funding in 2008 for health and anti-corruption programs. In 2009 Peru reached upper-middle income country status and is officially ineligible for further Millennium Challenge Corporation assistance.

There are no reported difficulties in obtaining foreign exchange. Under Article 64 of the 1993 Constitution, the Peruvian government guarantees the freedom to hold and dispose of foreign currency. The Peruvian Government has eliminated all restrictions on remittances of profits, dividends, royalties, and capital, although foreign investors are advised to register their investments with ProInversion to ensure these guarantees. Exporters and importers are not required to channel foreign exchange transactions through the Central Reserve Bank of Peru (BCR) and can conduct transactions freely on the open market. Anyone may open and maintain foreign currency accounts in Peruvian commercial banks. U.S. firms have reported no problems or delays in transferring funds or remitting capital, earnings, loan repayments or lease payments since Peru's economic reforms of the early 1990s. Under the PTPA, portfolio managers in the United States are able to provide portfolio management services to both mutual funds and pension funds in Peru, including funds that manage Peru's privatized social security accounts.

The 1993 Constitution guarantees free convertibility of currency. However, limited capital controls still exist as private pension fund managers (AFPs) are constrained by how much of their portfolio can be invested in foreign securities. The maximum limit is set by law (currently 50% since July 2011), but the BCR sets the operating limit AFPs can invest abroad. Over the years, the BCR has gradually increased the operating limit, which reached 36% in April 2013. The BCR announced plans to establish a schedule of monthly increases from 36.5% starting on December 15, 2013, to 40% by July 15, 2014. For several years, AFPs have protested the low operating limit on grounds that the Peruvian securities market remains small and unable to absorb the incessantly increasing funds the AFPs manage.

The BCR is an independent institution, free to manage monetary policy to maintain financial stability. The BCR's primary goal is to maintain price stability, via inflation targeting. Inflation at year-end in Peru reached 3.9% in 2007, 6.7% in 2008, 0.3% in 2009, 2.1% in 2010, 4.7% in 2011, 2.7% in 2012, and 2.8% in 2013.

The Peruvian Government has implemented policies to de-dollarize the economy, but in the last few years market forces have been more effective in reducing dollarization as the Peruvian Nuevo Sol has trended to appreciate vis-à-vis the U.S. dollar. U.S. dollars account for a decreasing share of banking system transactions, according to the Peruvian Banking Superintendence (SBS). In 2001, U.S. dollars accounted for 82% of loans and 73% of deposits. As of December 2013, U.S. dollars accounted for 40% of loans and 40% of deposits.

The foreign exchange market operates freely, for the most part. To quell "extreme variations" of the exchange rate, the BCR intervenes through purchases and sales in the open market without imposing controls on exchange rates or transactions. In the last few years, the BCR has consistently purchased U.S. dollars to mitigate the risk that spillover from expansionary U.S. monetary policy might result in over-valuation of the Peruvian Nuevo Sol relative to the U.S. dollar. This policy is likely to continue for the foreseeable future, until U.S. economic recovery begins to tighten credit conditions.

Expropriation and Compensation

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According to the Peruvian Constitution, the Peruvian government can only expropriate private property on public interest grounds such as public works projects or for national security. An expropriation requires the Congress to pass a specific act. The

Government of Peru has expressed its intention to comply with international standards concerning expropriations. On January 12, 2012, Congress approved legislation to expropriate a number of homes and other real estate adjacent to the Lima Airport for an airport expansion project. Compensation for expropriations is based on fair market value. Notably, concessionaires have complained that the government has been extremely slow in implementing expropriations, which have caused delays to their investment commitments.

Dispute Settlement

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The PTPA includes a chapter on dispute settlement, which applies to implementation of the Agreement's core obligations, including labor and environment provisions. Dispute panel procedures set high standards of openness and transparency through the following measures: open public hearings, public release of legal submissions by parties, enlisting special labor or environment expertise for disputes in these areas, and opportunities for interested third parties to submit views. The Agreement emphasizes compliance through consultation and trade-enhancing remedies. The Agreement also encourages arbitration and other alternative dispute resolution measures for disputes between private parties.

Peru is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention of 1958) and to the International Center for the Settlement of Investment Disputes (the Washington Convention of 1965). Disputes between foreign investors and the Peruvian Government regarding pre-existing contracts must still enter national courts, unless otherwise permitted, such as through provisions found in the PTPA. In addition, investors who enter into a juridical stability agreement may submit disputes with the government to national or international arbitration if stipulated in the agreement. Several private organizations -- including the American Chamber of Commerce, the Lima Chamber of Commerce, and Universidad Catolica -- operate private arbitration centers. The quality of such centers varies, however, and investors should choose arbitration venues carefully.

Dispute settlement generally and arbitration awards enforcement remain problematic in Peru, although in 2004 the Peruvian Government began taking steps to improve the dispute settlement process by establishing commercial courts to view investment disputes, including two courts of appeal. These commercial courts have substantially improved the process for commercial disputes. Prior to the existence of the commercial courts, it took an average of two years to resolve a commercial case through the civil court system. With their specialized judges, the commercial courts have reduced the amount of time to resolve a case to just two months. The appeals level resolves most of these cases, so that few appeals cases reach the Supreme Court.

The criminal and civil courts of first instance and appeal are heard at the provincial level. The Supreme Court is located in Lima. In principle, Peruvian law recognizes secured interests in property, both movable and immovable. With the exception of the commercial courts, the judicial system is often extremely slow to hear cases and to issue decisions. A large backlog of cases further complicates decision-making by business litigants.

Court rulings and the degree of enforcement have been difficult to predict. The proficiency of individual judges varies, and allegations of corruption, political

interference, and outside interference in the judicial system are common. Frequent use of appellate processes as a delay tactic lead to the belief among foreign investors that contracts can be difficult to enforce in Peru.

The 1997 Law of Conciliation (DL 26872) requires disputants in many types of civil and commercial matters to consider conciliation before a judge can accept a dispute for litigation. Private parties often resort to arbitration to resolve business disputes, avoiding involvement in lengthy judicial processes.

Peru has a creditor rights hierarchy similar to that established under U.S. bankruptcy law, and monetary judgments are usually made in the currency stipulated in the contract. However, administrative bankruptcy procedures under INDECOPI (the Antitrust, Unfair Competition, Intellectual Property Protection, Consumer Protection, Dumping, Standards and Elimination of Bureaucratic Barriers Agency) have proven to be slow and subject to judicial intervention. Compounding this difficulty are occasional laws passed to protect specific debtors from action by creditors that would force them into bankruptcy or liquidation.

The 1993 Constitution permits international arbitration of disputes between foreign investors and the government or state-controlled firms. Previously, the Government of Peru appealed arbitration cases to the judiciary, where they were typically delayed until the international companies conceded the cases. To reinforce Peruvian law, the Supreme Court ruled that effective July 2005, all arbitration findings and awards are final and not subject to appeal.

Performance Requirements and Incentives

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The PTPA has resulted in benefits to U.S. enterprises seeking to invest in Peru. Under the PTPA, Peru has made concessions beyond its commitments to the WTO and has dismantled significant investment barriers, such as measures that required U.S. firms to hire nationals rather than U.S. professionals, and measures requiring the purchase of local goods.

Peru offers both foreign and national investors legal and tax stability agreements to stimulate private investment. These agreements guarantee that the statutes on income taxes, remittances, export promotion regimes (such as drawbacks, or refunds of duties), administrative procedures, and labor hiring regimes in effect at the time of the investment contract will remain unchanged for that investment for 10 years. To qualify, an investment must exceed \$10 million in the mining and hydrocarbons sectors or \$5 million within two years in other sectors. An agreement to acquire more than 50% of a company's shares in the privatization process may also qualify an investor for a legal or tax stability agreement, provided that the added investment will expand the installed capacity of the company or enhance its technological development.

There are no performance requirements that apply exclusively to foreign investors. Peruvian civil law applies to legal stability agreements, which means the Peruvian Government cannot unilaterally alter agreements. Notwithstanding these protections, investors should be aware that government officials have delivered negative remarks to the press regarding companies exercising their contractual rights and obligations.

Laws specific to investment in the petroleum and mining sectors provide assurances to investors in those sectors. However, a history of tightening of benefits has occurred in these industries. In 2000, the government modified the General Mining Law, reducing some benefits to investors in that sector. Among the changes were reductions in the term concessionaires are granted to achieve the minimum annual production, increases in fees for holding non-productive concessions, increases in fines for not achieving minimum production within the allotted time, reductions in the maximum allowable annual accelerated depreciation, and revocation of the income tax exemption for reinvested profits.

After a growing number of local communities demanded a share of mining profits from operations in their areas, the incoming Garcia Administration and mining companies agreed in 2006 to a "voluntary contribution" system whereby companies agreed to provide funding to the government (in addition to the regular corporate income tax) for community infrastructure projects. This voluntary contribution averted adoption of exacting taxes. The agreement allowed mining companies to control where their contributions were invested and did not apply if the prices of metals or minerals drop below certain levels. As the voluntary contribution agreement was to expire at the end of 2011 during a period of windfall profits for extractive industries, the incoming Humala Administration and mining companies agreed in August 2011 to replace it with a new tax regime on mining profits called the "gravamen minero." It produced tax revenues (including the royalty tax) of \$1.97 billion in 2012; but with declining metals prices the contribution in the January-November tax 2013 period was \$1.48 billion.

With regard to licensing arrangements, private parties may freely negotiate contractual conditions related to licensing arrangements and other aspects of technology transfer, needing no prior governmental authorization. Registration of a technology transfer agreement with INDECOPI is required for a payment of royalties to be counted against taxes.

Current law limits foreign employees to 20% of the total number of employees in a local company (whether owned by foreign or national interests). The combined salaries of foreign employees are limited to no more than 30% of the total company payroll. However, DL 689 from November 1991 provides a variety of exceptions to these limits. For example, a foreigner is not counted against a company's total if he or she holds an immigrant visa, has a certain amount invested in the company (currently about \$4,000), or is a national of a country that has a reciprocal labor or dual nationality agreement with Peru. The United States and Peru tolerate dual nationality, but do not have a formal agreement. Furthermore, the law exempts foreign banks, and international transportation companies from these hiring limits, as well as all firms located in free trade zones. Companies may apply for exemption from the limitations for managerial or technical personnel.

The Peruvian government does not maintain any measures that are inconsistent with Trade-Related Investment Measure (TRIM) requirements, according to a WTO Committee on Trade-Related Investment Measure notification dated August 19, 2010.

Although there are no discriminatory or onerous visa, residence, or work permit requirements that inhibit foreign investors' mobility, the application and approval process can be cumbersome and lengthy.

Right to Private Ownership and Establishment

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Peruvian law generally grants foreign and domestic entities the right to establish and own business enterprises and to engage in most forms of remunerative activity. Subject to the restrictions listed earlier in this document, both foreign and domestic entities may invest in any legal economic activity -- including foreign direct investment, portfolio investment, and in real estate. Private entities may generally freely establish, acquire, and dispose of interests in business enterprises. In the case of some privatized companies deemed important by the government, the privatization agency ProInversion has included a so-called "golden share" clause in the sales contract, which allows the government to veto a potential future purchaser of the privatized assets.

Protection of Property Rights

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The Peruvian Government recognizes and enforces secured interests in property, both movable and immovable. The Peruvian Government is working on improving the registry of those rights, which will further enable the government's enforcement capabilities.

Intellectual Property: Peru's legal framework provides for easy registration of trademarks, and inventors have been able to patent their inventions since 1994. Peru's 1996 Industrial Property Rights Law provides an effective term of protection for patents and prohibits devices that decode encrypted satellite signals, along with other improvements. Peruvian law does not provide pipeline protection for patents or protection from parallel imports. Peru's Copyright Law is generally consistent with the TRIPS Agreement.

While the legal framework for protection of intellectual property (IP) in Peru has improved over the past decade, including the law enacted in 2011 to criminalize the sale of counterfeit medicines, enforcement mechanisms remain weak. Peru has remained on USTR's Section 301 "Watch List" since 1992 because of continued high piracy rates, inadequate enforcement of IP laws, and weak or unenforced penalties for IP violators.

Under the PTPA, Peruvian law should treat U.S. companies at least as well as Peruvian companies in all IP categories. The PTPA provides for improved IP protection on a broad range of intellectual property rights. Such improvements include protections for digital products such as U.S. software, music, text, and video; protection for U.S. patents, trademarks and pharmaceutical and agrochemical test data; legal penalties to deter piracy; and an electronic system to register and maintain trademarks.

Despite PTPA implementation and recent legal code amendments creating stricter penalties for some types of IP theft, the judicial branch has failed to impose sentences that adequately deter future IP theft. Prosecutors do not pursue piracy cases through the entire process to final judgment. Furthermore, the Peruvian public lacks motivation to change perceptions regarding IP theft. The public continues to purchase pirated software, CDs, DVDs, pharmaceutical products, and books from vendors in public. The purchases continue openly since most Peruvians realize their government will not prosecute this theft.

Some Peruvian Government institutions, sometimes with the support of the U.S. Embassy in Lima, sponsor public awareness campaigns to raise awareness about the damage that IP theft causes the Peruvian economy and Peruvians consumers. Peruvian newspapers complain about piracy, including pirated versions of Peru's Nobel Laureate Mario Vargas Llosa's books. While the Peruvian government occasionally has carried out raids against small-time vendors of pirated goods, piracy remains a significant problem for legitimate owners of copyrights in Peru.

The International Intellectual Property Alliance (IIPA) estimates that the piracy level in Peru for recorded music is at 98% and 100% for video content and books. The Business Software Alliance estimates that software piracy level is at 67%, costing the industry \$209 million in 2013.

The U.S. pharmaceutical industry advises that the Peruvian Government fails to provide data exclusivity protection for all pharmaceutical products and does not provide patent linkage or "second use" medical patents. The pharmaceutical industry also advises that the Peruvian Government does not offer any extension of the patent term for pharmaceutical products to compensate for processing delays at the patent office. There has also been at least one instance of GOP initiatives creating a backdoor for domestic companies to avoid complying with IP laws. This backdoor can be seen in the pharmaceutical sector in the registration of biosimilar products of biologics, drugs made from organic material that infringe upon patented U.S. biological products.

The Peruvian government agency charged with promoting and defending intellectual property rights is the Antitrust, Unfair Competition, Intellectual Property Protection, Consumer Protection, Dumping, Standards and Elimination of Bureaucratic Barriers Agency (INDECOPI, www.indecopi.gob.pe), established in 1992. Peru belongs to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). It is also a signatory to the Paris Convention on Industrial Property, Geneva Convention for the Protection of Sound Recordings, Bern Convention for the Protection of Literary and Artistic Works, Brussels Convention on the Distribution of Satellite Signals, Phonograms Convention, Satellites Convention, Universal Copyright Convention, the World Copyright Treaty, and the World Performances and Phonographs Treaty and the Film Register Treaty. In December 1994, the Peruvian Congress ratified the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property (TRIPs).

Pursuant to the terms of the PTPA, Peru has ratified or acceded to the following agreements: the Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite; the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure; the WIPO Copyright Treaty; the WIPO Performances and Phonograms Treaty; the Patent Cooperation Treaty; the Trademark Law Treaty; and, the International Convention for the Protection of New Varieties of Plants (UPOV Convention). Although Peru has ratified or acceded to several of the above agreements as part of its implementation of the PTPA, it has not yet fulfilled its PTPA commitments by ratifying or acceding to the following agreements: the Patent Law Treaty; the Hague Agreement Concerning the International Registration of Industrial Designs; and, the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

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Local lawyers list: http://lima.usembassy.gov/acs_peru.html

The [American Chamber of Commerce in Peru](http://www.amcham.org.pe/contactenos/escribanos.php) can be contacted via this link:
<http://www.amcham.org.pe/contactenos/escribanos.php>.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Transparency of Regulatory System

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Regulatory transparency and independence have become central issues for foreign investors in Peru. Although many of the central government regulators related to foreign investment have relatively transparent and predictable procedures, delays and the lack of predictability in the rulings of these institutions have been impediments to doing business in Peru.

The Securities Market Superintendence (SMV) maintains the company registry and supervises the securities market. ProInversion handles privatization and most concessions. INDECOPI handles competition policy, bankruptcy, and intellectual property matters. The Superintendence of Banking and Insurance (SBS) regulates banks, insurance companies, and private pension funds, including determination of whether potential market entrants qualify to operate in Peru.

When the Peruvian Government privatized state-owned monopolies in the areas of telecommunications, energy, and the hydrocarbons sector in the late 1990s, it also established regulatory institutions to oversee the new private sectors – among them OSIPTEL for telecom, and OSINERGMIN for energy, mining and hydrocarbons. The GOP created the Environmental Enforcement Organism (OEFA) in 2008 which is progressively taking over the environmental enforcement functions previously held by OSINERGMIN and other agencies.

In 2010, OSIPTEL established a “glide path” plan to continuously lower the mobile termination rates for all carriers by October 2013. This created a more favorable and competitive environment for the smaller carriers. While a company may be pleased that its final rate in 2013 will be more competitive with the other carriers than before, concerns remain that the planned 2013 rates are based on the cost structure from 2010. Historically, telecommunication companies have experienced a downward trend in cost per call. Therefore, the telecommunications sector may face an outdated cost structure.

U.S. and other non-Peruvian firms and investors have complained about the reinterpretation of rules and the imposition of disproportionate fines coupled with usurious interest charges on unpaid taxes or fines by the Peruvian tax agency, SUNAT. U.S. firms and other investors allege SUNAT's capricious behavior and reinterpretation of tax laws are often contrary to the spirit of the law and intent of government policies, thereby complicating and making normal business operations costlier. This situation may be at least partly explained by the fact that the remuneration of SUNAT

employees is partially determined by the theoretical tax liability they assess in audits. The U.S. Embassy continues to hear that this perverse incentive leads to overzealous tax collection practices.

Businesses point out that SUNAT's retroactive reinterpretation of regulations and laws, levying of disproportionate fines, usurious interest rates on the alleged assessments and below market interest rates on payable tax rebates, lengthy resolution processes, and initiation of full company audits when companies request a refund or legal revaluation of assets for depreciation purposes, create additional investment and trade barriers. In one case, a U.S. firm requested, by clerical mistake, an improper drawback of \$1,345, only to face SUNAT fines of \$645,000. Although the case was resolved, new legislation was needed to correct the problem. An independent tax tribunal now acts to check any abuses by SUNAT. However, SUNAT normally appeals the tax tribunal's rulings, thereby extending indefinitely both the resolution of disputed assessments and liabilities on companies' balance sheets. As a balance to this tendency, a tax ombudsman must approve SUNAT's request to appeal adverse tax tribunal decisions. At times, the ombudsman has also acted to end unwarranted litigation of disputed assessments. For example, in 2005, a U.S. company won long-standing tax cases against SUNAT as a result of these improvements. Nevertheless, the U.S. Embassy has heard of cases of companies deciding to pay long-disputed assessments in order to eliminate continually-increasing potential liabilities from their books. A conspicuous case was that of a Canadian bank, which in late-February 2014 decided to pay under protest about \$170 million for tax liabilities, most of it accumulated interest. In recent years a number of companies have opened international arbitration cases against the Peruvian government.

Businesses also have complained about the high health insurance and pension tax rates and a number of labor laws. Businesses state these tax and labor policies increase labor costs and hinder investment capital flows. The lack of a U.S.-Peru treaty on double taxation also disincentives foreign investment.

Efficient Capital Markets and Portfolio Investment

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Credit is allocated on market terms and the banking industry in Peru is generally considered competitive in offering services to business customers. Private pension funds have keenly competed in recent years with financial companies for bonds issued locally by companies and the Peruvian Government. These entities compete because the supply of local securities is insufficient given the small size of the market. Foreign investors are increasingly making use of the local market conditions by obtaining credit and floating bonds. Under the PTPA, U.S. financial service suppliers have full rights to establish subsidiaries or branches for banks and insurance companies.

The private sector has access to a variety of credit instruments. In 2013, firms placed \$1.75 billion on the local bond market, 3.7% below the year earlier. Mutual funds managed \$5.9 billion in December 2013, a large 16.3% decrease from the December 2012 level. By December 2013, private pension funds managed a total of \$36.2 billion.

The Securities Market Superintendence (SMV) is the Peruvian Government entity charged with regulating the securities and commodities markets. Following the IMF's recommendations, the Peruvian government passed a law reforming the SMV's predecessor, CONASEV (the National Commission for the Supervision of Companies,

Securities and Exchanges). SMV's mandate includes controlling securities market participants, maintaining a transparent and orderly market, setting accounting standards, and publishing financial information about covered companies. SMV requires stock issuers to report events that may affect the stock, the company, or any public offerings. This requirement promotes market transparency, and aims to prevent fraud. Trading on insider information is a crime, with some reported prosecutions in past years. One case at the end of 2010 involved three (government-owned health care provider) ESSALUD employees, a stock brokerage firm and an employee of the stock brokerage firm. CONASEV fined these individuals and the stock brokerage firm, and their cases are moving through the Peruvian court system. SMV must vet all firms listed on the Lima Stock Exchange (Bolsa de Valores de Lima) or the Public Registry of Securities. SMV also maintains the Public Registry of Securities and Stock Brokers. SMV is studying ways to improve the regulatory system to encourage and facilitate portfolio investment.

The banking system is considered generally sound, thanks to lessons learned during the 1997-1998 Asian crisis, and continues to revamp operations, increase capitalization, and reduce costs. Under the SBS's conservative criteria, non-performing loans rose in the last two years, to 2.14% of total loans as of December 2013, yet down from a high of 11% in early 2001. Able bank supervision and strong GDP growth over the last decade through 2013 also helped banks weather the 2008-2009 global financial crisis with little trouble.

Economic opening since the 1990s, coupled with competition, has led to banking sector consolidation. Sixteen commercial banks comprise the system, with assets accounting for 88.9% of Peru's financial system. Three banks account for 73% of local loans and deposits among commercial banks. Of \$93.2 billion in total banking assets at the end of December 2013, assets of the three largest commercial banks amounted to \$67.3 billion. As of December 2013, foreigners had significant shares in thirteen banks, of which they were majority owners of eleven (including one of the country's largest ones) and operator of one of the largest commercial banks. Notably, two of the four banks that are majority-owned by residents account for 45.1% of commercial banks' assets.

Peru's financial system has 12 specialized institutions ("financieras"), 31 thriving micro-lenders and savings banks (although several large banks also lend to small enterprises), two leasing institutions, two state-owned banks, and one state-owned development bank. In 2013, the Economist Intelligence Unit again ranked Peru number one worldwide on microfinance business environment for the sixth consecutive year because of its sophisticated legal and regulatory framework and competitive microfinance sector. Nevertheless, Peru's over 150 savings and loan cooperatives operate in an environment almost devoid of government oversight.

Peruvian law and regulations do not authorize or encourage private firms to adopt articles of incorporation or association to limit or restrict foreign participation. There are no private or public sector efforts to restrict foreign participation in industry standards-setting organizations. However, larger private firms often use "cross-shareholding" and "stable shareholder" arrangements to restrict investment by outsiders -- not necessarily foreigners -- in their firms. As close families or associates generally control ownership of Peruvian corporations, hostile takeovers are practically non-existent. In the past few years, several companies from the region, China, North America, and Europe have actively been buying local companies in power transmission, retail trade, fishmeal production, and other industries.

The Peruvian government initiated an extensive, but not yet complete, privatization program in 1991 in which foreign investors were encouraged to participate. Since 2000, the Peruvian government has promoted multi-year concessions as a means of attracting investment in major projects. In 2000, the government granted a 30-year concession to a private group (Lima Airport Partners) to operate the Lima airport. In 2006, the government granted a 30-year concession to Dubai Ports to build and operate a new container terminal in the Port of Callao. The terminal's first phase became operational in May 2010. In 2006, the Swiss-Spanish-Peruvian consortium Swissport received a 25-year concession to manage nine of Peru's northern airports. In 2011, the Peruvian Government awarded the Argentine-Peruvian consortium Aeropuertos Andinos a 25-year concession to manage six of Peru's southern airports. Also in 2011, the government granted a 30-year concession to a Danish-Peruvian consortium led by the Danish-based A.P. Moller-Maersk Group to operate and modernize the multipurpose northern terminal at the Port of Callao. The Peruvian Government continues to award multi-year concessions for various energy, natural gas, hydro-energy and irrigation, telecommunications, ports, sanitation, roads, and tourism projects.

Several electricity, water and sewage, bank, and oil companies remain state-owned and state-operated. The most notable area of SOE activity pertains to the petroleum sector, namely Peru's state-owned petroleum company PetroPeru, which currently is an oil refiner and the operator of an underutilized oil pipeline. Congress passed several laws since that purport to strengthen PetroPeru and free it from bureaucratic controls, so that it can enter into all stages of the petroleum and petrochemical sectors, especially upstream. In 2008, PetroPeru took center stage in a corruption scandal related to oil and gas concessions. The scandal led to the resignation of the Minister of Energy and Mines and the PetroPeru President. The scandal forced the Peruvian government to implement a number of changes in PetroPeru's management. Over the last two decades, PetroPeru has experienced significant attrition in managerial and technical expertise. This, coupled with its limited financial resources, cast into doubt the company's ability to implement its long-held plans to expand and upgrade its aging Talara refinery – which continues to produce dirty gasoline and diesel fuel, a situation the government permits by not enforcing regulatory standards. Limited resources and expertise also downplay expectations following repeated announcements from its leadership regarding entrance to upstream, and participation in a proposed gas pipeline and petrochemical complex in southern Peru. Up until recently, PetroPeru's leadership's plans even included a return to oil production through participation in tenders of oil producing blocks that the GOP was set to auction in 2013, with a requirement to partner with PetroPeru. Limited or no interest shown by oil companies in that auction and in several exploration blocs' pending auctions, have left those plans up in the air.

Peruvian businesses participate in Corporate Social Responsibility (CSR) programs, primarily on a voluntary basis. For the energy and mining sector, certain regulations do exist to promote social responsibility. Supreme Decree No. 042-2003-EM promotes social responsibility within the mining sector, encouraging dialogue with the local communities, local employment, development activities, and purchase of local goods and services. The norm requires the mining companies to provide an annual report on

sustainable development activities. The Ministry of Energy and Mines offers the public a guidebook for community relations, as well as public information on social measures related to the mining and energy sectors. In 2011, INDECOPI adopted the Peruvian Technical Regulation of Social Responsibility, ISO 26000, which serves as a voluntary guide to CSR activities.

On February 15, 2012, Peru was listed as a compliant country under the Extractive Industries Transparency Initiative (EITI), under which the government and extractive industries agreed to openly publish all company payments and government revenues from oil, gas, and mining. Peru is the only EITI-compliant country in Latin America.

At the 2012 International Labor Organization (ILO) conference, Peru was recognized for its national strategy to combat forced labor. Its plan emphasizes the state's role to protect and promote labor rights. Simultaneously, it strives to build capacity and empower vulnerable groups to transform their environment and enforce their rights. The plan addresses both medium and long-term multi-sector plans to eliminate or reduce conditions that enable forced labor. Despite these efforts, the government did not effectively enforce labor laws in all cases. The exploitation of child labor, particularly in informal sectors, forced labor, and employers engaging in anti-union practices remain significant problems.

Political Violence

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Although political violence against investors is rare, protests, sometimes violent, have taken place in or near communities with extractive industry operations. Environmental concerns were often the cited pretext, with protestors objecting to the fact that environmental impact assessments are reviewed by the Ministry of Energy and Mines, rather than the Ministry of Environment, when in fact, the Ministry of Environment along with other national agencies do participate in assessment reviews. In many cases, protestors sought public services not provided by the government. Ideological opposition to foreign mining firms, not opposition to mining itself, often leads to protest in communities incited by NGOs, bringing in protestors from outside the local community to foment protests against the companies. Groups blocked roads in 2013 to protest extractive industry operations; hydroelectric projects; restrictions on informal gold, mining, and gas exports; and the Government's coca eradication policies. In several of these protests, police and civilians were injured. There are 220 conflicts in Peru, and more than half of these conflicts involve extractive industries.

Politically motivated movements at times have opposed large extractive projects. In some cases, these movements have been successful in delaying large investments, as occurred in the \$4.8 billion Conga mine project in Cajamarca in August 2012. In other cases, protests have stopped such investments entirely.

The National Office of Dialogue and Sustainability is actively engaged in mitigating social conflict connected to extractive industry in Peru. Under the direction of a charismatic former regional president, this office addresses conflict in a broader community development context, rather than only responding to social conflicts after they have already erupted. To this end, the government is providing more education, infrastructure, and health care services in areas where extractive industry projects are planned or under development, which will increase government presence and reduce potential for conflict in those (historically underserved and often remote) areas. Peru's

Prior Consultation Law was signed in 2011, and its implementing regulations were approved in 2012. The law requires the Peruvian government to consult with indigenous communities before enacting any legislation, administrative measures, or development projects that could affect communities' rights of territorial demarcation. However, skeptics deny that the law will fulfill its purposes, and many believe it will simply create further problems and delays. The industry association Peruvian Society of Hydrocarbons alleges that work on 30 oil exploration blocks is paralyzed due to extremely lengthy permit processing. The National Society of Mining, Electricity and Petroleum (SNMPE) and the government have become involved in assisting local governments to access the extractive industry "canon" (tax revenue-sharing scheme with funding for public works projects) as a way to both stimulate local development and prevent conflicts. Although these efforts have been effective in some mining regions, in others, conflicts have continued or expanded.

Violence remains a concern in coca-growing regions. Members of two Shining Path factions conducted 50 terrorist acts (including armed actions) in remote coca-growing areas that resulted in the killings of three soldiers, injuries to three police and three soldiers, and two civilian deaths in the Apurimac, Ene, and Mantaro River Valleys (VRAEM) and the Upper Huallaga Valley (UHV) emergency zones during 2013. On January 23, 2013 Shining Path members attacked and kidnapped workers at a construction project in the district of Sivia, Ayacucho Region. The hostages did not sustain any injuries, and the Shining Path released them a few hours later. There were reports that the Shining Path abducted children to work for the terrorist organization during the year. The Humala government continues the longstanding practice of authorizing separate 60-day states of emergency in two areas where the Shining Path operates – the VRAEM and the Upper Huallaga Valley. The state of emergency authorization suspends some civil liberties and gives the security forces additional authority to maintain public order.

There is little government presence in the remote coca-growing zones of the VRAEM and Upper Huallaga Valley, although significant ramp-up of government presence and programs is underway. The U.S. Embassy in Lima restricts visits by official personnel to these areas because of the threat of violence by narcotics traffickers and columns of the Shining Path. Information about insecure areas and recommended personal security practices can be found at <http://www.osac.gov> or <http://travel.state.gov>.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Peru is party to the UN Convention and the OAS Convention. Generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Peru is not party to this convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international

cooperation, and asset recovery. Peru signed this convention on December 10, 2003, and ratified the convention on November 16, 2004.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>). Peru signed this convention on March 23, 1996, and ratified the convention April 4, 1997.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco). Peru is not party to this convention.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and transnationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Peru has a free trade agreement (FTA) in place with the United States, the United States-Peru Trade Promotion Agreement (PTPA), which came into force on February 1, 2009.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas.

The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Public sector corruption, including bribery of public officials, remains a challenge for U.S. firms operating in Peru. It is illegal in Peru for a public official or employee to accept any type of outside remuneration for the performance of his or her official duties. Peru has ratified both the UN Convention Against Corruption and the Organization of American States Inter-American Convention Against Corruption. Peru is not a member of the Organization of Economic Cooperation and Development (OECD). It has not signed the OECD Convention on Combating Bribery, although it has participated as an observer in the Working Group. The Contraloría General is the responsible government agency for combating corruption.

U.S. firms have reported problems directly resulting from corruption, usually in government procurement processes and in the judicial sector, with defense and police procurement generally considered among the most problematic. This is in spite of PTPA's stipulations and of Peru's Government Procurement Law (Legislative Decree No. 1017, DL 1017, one of several laws passed with the specific intention to implement PTPA). Transparency International ranked Peru 83rd out of 177 countries in its 2013 Corruption Perceptions Index, unchanged since 2012, and down from 80th out of 183 countries in 2011. While anti-corruption efforts have been a stated priority of both the Garcia and Humala governments, in practice most resources to date have been directed at investigating extensive corruption during the Fujimori era (1990-2000). Former Presidents Garcia and Toledo and several sitting members of Congress are also under

investigation for corrupt practices. The Peruvian armed forces and national police continue to prefer to execute government-to-government procurements (i.e., purchases by a GOP agency from a foreign government agency or government-owned company). In July 2012, the Government Procurement Supervisory Agency ruled that government-to-government procurements do not fall under the government procurement law (DL 1017). An article in the 2013 Budget Law also specified that procurements by the GOP from another state are not under the scope of DL 1017. Since then, there have been a number of local media reports of overvalued prices in several government-to-government purchases, of goods or services for the police or the armed forces. Cases include purchases of a satellite, planes, helicopters, and technical assistance training. Overvaluation has apparently occurred even in the case of open tenders, as in the notorious recent case of the purchase of 591 binoculars by the Interior Ministry for the National Police in December 2013. *El Comercio*, Peru's paper-of-record, published a report in January 2014 alleging the Interior Ministry bought 591 binoculars at a price more than ten times the market rate. In early-March 2014, local media reported that the Public Prosecutor's Office will investigate a technical assistance-training procurement made in 2009 by the Armed Forces Joint Command. This probe comes after the Comptroller General found irregularities and circumstantial evidence of collusion, embezzlement and other crimes.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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The PTPA eliminated the need for a bilateral investment agreement between the United States and Peru. Peru also has free trade agreements with Canada, Chile, China, Colombia, Costa Rica, the European Free Trade Association (which includes Iceland, Liechtenstein, Norway and Switzerland), Japan, Mexico, Panama, Singapore, South Korea, and Thailand. It has Framework Agreements with MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay, and Venezuela). It has a partial preferential agreement with Cuba. More agreements have been signed and are awaiting full implementation, including with Guatemala, and the Pacific Alliance (Initially with Mexico, Colombia, and Chile. Costa Rica adhered to the framework agreement in February 2014 and will become a full-fledged member in the near future).

Peru has bilateral investment agreements in force with Argentina, Bolivia, Canada, Chile, China, Colombia, Costa Rica, Czech Republic, Denmark, Ecuador, El Salvador, Finland, Italy, Korea, Netherlands, Norway, Paraguay, Portugal, Romania, Spain, Sweden, Switzerland, Thailand, United Kingdom, Venezuela, and the European Union.

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC), an independent U.S. Government agency, offers medium-to-long-term financing and political risk insurance. From 2010 thru 2013, OPIC supported solar power plants, consumer lending, operation and expansion of retail stores, microfinance, installation/operation of stereotactic radiosurgery equipment, consulting services, export services, import-export logistical

services, and portfolio expansion of SME, micro-credit and consumer loans, in the form of commitments totaling \$21 million.

Because of the free convertibility of currency, the U.S. Embassy purchases Peruvian currency for expenses on an as-needed basis at the market exchange rate. The U.S. dollar averaged 2.75 Nuevos Soles per dollar in 2013, after averaging the same in 2012. Peru is a member of the Multilateral Investment Guarantee Agency.

It is unlikely that the Peruvian government would either devalue or revalue the Nuevo Sol. The foreign exchange market mostly operates freely. However, the Peruvian BCR intervenes in the foreign exchange market to prevent significant exchange rate variations – at times day after day. To many observers, this regime has succeeded in avoiding traumatic foreign exchange adjustments to the economy.

Labor

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Labor is abundant, although several large investment projects in recent years led to localized shortages of highly skilled workers in some fields. While the legal framework to uphold international labor standards is well-defined, the government did not effectively enforce the law in all cases. Mining sector contacts praise the technical knowledge and professional dedication of Peruvian engineering graduates. Since the 1960s, the number of jobs created by the Peruvian economy was consistently below the number of new entrants to the labor market. The situation meant underemployment or seeking work in the informal economy. In February 2014, the Labor Ministry estimated 56.3% of workers were engaged in the informal economy. There are no precise statistics on the size of the informal economy, but it is estimated to be anywhere from 50% to 70% of the formal economy.

The Peruvian government increased the statutory monthly minimum wage in May 2012, from 675 Nuevos Soles (approximately \$241) to 750 Nuevos Soles (approximately \$268). The National Institute of Statistics and Information (INEI) estimated the poverty line to be 284 new soles (\$102 USD) a month per person, although it varied by region due to different living costs. The Ministry of Labor (MOL) enforces the minimum wage only in the formal sector. Many workers in the unregulated informal sector, most of them self-employed, make less than the minimum wage. Wages are sometimes higher than U.S. wages in the mining sector for management positions and consulting services. Workers in Peru are paid by the month, not by the year. Some workers, like formal miners, are highly paid and also (per statute) receive a share of company profits up to a maximum total annual amount of 18 times their base monthly salary. Current labor law provides for a 48-hour work week and one day of rest, and requires companies to pay overtime for more than eight hours of work per day and additional compensation for work at night. Noncompliance with the law is a punishable infraction. There is no prohibition on excessive compulsory overtime.

A 2008 law reduced severance pay and bonuses by 50%, and paid annual vacation to 15 days for small business workers. Workers readily sacrifice these and other benefits in exchange for regular employment. Another 2008 law gave micro-enterprise workers social security and pensions.

Peruvian labor law requires that employees provide advance notice to the MOL before holding a strike, with the new legislation not being as permissive as before. According to

the MOL, 94 strikes took place in the private sector in 2013, 5.6% above 2012, but person-hours lost from strikes decreased by 16.2%, for a total of 1.57 million work hours. Unions in what the government determines are “essential public services” are permitted to call a strike but must provide 10 working days’ notice, receive the approval of the Ministry of Labor, be approved by a simple majority of workers, and provide a sufficient number of workers during a strike to maintain operations, as jointly determined by the union and labor authorities on an annual basis. As of October 2013, the Ministry of Labor registered 33 total strikes, with 25 of those declared illegal. According to labor leaders permission to strike was difficult to obtain, in part because the MOL feared harming the economy. The MOL justified its decisions by citing failure of unions to fulfill the legal requirements necessary to strike.

On January 15, 2010, Congress adopted a new labor procedure law (No. 29497) to improve the efficiency of resolving labor disputes. The law requires that labor conflicts be resolved in less than six months, allows unions or their representatives to appear in court on behalf of workers, requires proceedings to be conducted orally and video-recorded, and relieves the employee from the burden of proving an employer-employee relationship. On November 5, 2012, the Lima Judicial District began implementing the labor procedure law. At year’s end, it was in effect in at least 15 of the 31 judicial districts in Peru.

Six percent of the labor force in the private sector was organized in 2013, with unionization highest in electricity, water, construction, and mining (from 39% to 22%) and generally low in the rest of economy. Unemployment in Lima officially stood at 5.7% during the fourth quarter of 2013, with INEI stressing that the number of jobs increased for the 58th consecutive month. A 2011 government survey showed that 34.5% of Lima’s labor force was underemployed in the same period (versus 36.9% in the same period of 2012), mostly self-employed in the informal sector. The average nominal monthly salary increased 8.0% year-on-year in the fourth quarter of 2013, INEI reported. The ILO’s Global Wage Report 2012/2013 released in December 2012 stated that average real wages in Peru grew at over 3% per annum between 2004 and 2011.

Labor laws have become more inflexible in the last ten years, making labor relatively more expensive. A law passed in 2008 created more restrictions on outsourcing and subcontracting, made the contracting company more responsible for the actions of its subcontracted company, and created a national registry of contracting companies. The PTPA requires Peru to respect the ILO-defined core labor rights of its workers. In January 2010, the Peruvian Government and U.S. Government established the bilateral Labor Affairs Council as mandated in Article 17.5 of the PTPA.

According to labor leaders, the current labor law has weakened unions in part because companies create competing unions that are seen as more favorable to management. Workers in probation status or on short-term contracts are not eligible for union membership. Bargaining agreements are considered contractual agreements, valid only for the life of the contract. Productivity provisions must be included in any collective bargaining agreement. The amount of time union officials may devote to union work is limited to 30 days per year. Unless there is a pre-existing labor contract covering an occupation or industry as a whole, unions must negotiate with each company individually. The government did not effectively enforce the law in all cases. Penalties for violations of freedom of association and collective bargaining exist, but were rarely enforced. Workers faced prolonged judicial processes and lack of enforcement following

trade union activity-related dismissals. For instance, NGOs reported that emblematic cases of labor arbitration dating from 2012 remained in limbo, with the implementation of arbitrators' decisions delayed by ongoing judicial appeals processes.

In practice workers faced some challenges in exercising their rights of freedom of association and collective bargaining. Unions were generally independent of government and political parties. Employers continued to dismiss workers for exercising the right to strike. Dismissal of striking workers and delays in reinstatement of these workers, in both legal and illegal strikes, were the main tactic used by employers to dissuade workers from going on strike. Labor leaders and the ILO argue that current labor laws erode labor protections and encourage outsourcing in ways that undercut union activity.

Either unions or management can request binding arbitration in contract negotiations. Strikes can be called only after approval by a majority of all workers (union and non-union) voting by secret ballot, and only in defense of labor rights. Unions in essential public services, as determined by the government, must provide a sufficient number of workers during a strike to maintain operations.

The government approved in January 2013 the formation of a national labor inspectorate and approved in October 2013 opening regional offices to represent the labor inspectorate nationally. This new inspectorate will allow Peru to more comprehensively and systematically enforce labor laws. The Ministry of Labor plans to open five inspectorate offices in 2014.

All labor in the (very small) export processing zones (EPZs) is subcontracted. With the exception of enjoying greater flexibility in hiring temporary labor, there are no special laws or exemptions from regular labor laws in EPZs.

Foreign employees may not comprise more than 20% of the total number of employees of a local company (whether owned by foreign or Peruvian persons) or more than 30% of the total company payroll. However, under the PTPA, Peru has agreed not to apply most of its nationality-based hiring requirements to U.S. professionals and specialty personnel. Peru also has bilateral agreements with Spain and Argentina, for example, so that Spaniards and Argentines working in Peru do not count as foreigners and vice versa.

Foreign-Trade Zones/Free Ports

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Peruvian law currently covers two types of trade zones: export, transformation, industry, trade and services zones (CETICOS), and a free trade zone (ZOFRATACNA) in Tacna. The rules and tax benefits applying to these zones are the same for foreign and national investors. These zones have failed to attract any sizeable investment and their importance for Peru's economy is negligible.

CETICOS exist at Ilo, Matarani and Paita. One CETICO is authorized in Loreto department, but is not operational. There is concern that the Peruvian Government does not have the proper WTO waivers to validate the CETICOS export requirement. The U.S. automotive industry has expressed a specific concern that U.S. brands are unable to compete with used Japanese vehicles that enter the Peruvian market duty-free through the CETICOS. The Ministry of Transportation and Communications banned the

importation of right-hand drive vehicles in 2013, citing environmental and safety concerns. Imports of used cars more than five years old and used buses and trucks more than two years old are prohibited.

Foreign Direct Investment Statistics

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The stock of foreign direct investment in Peru stood at \$73.6 billion in December 2013 according to the BCR, up from \$63.4 billion at the end of 2012. According to the most recent data from the BCR, the largest investors in Peru are the United States, Canada, Spain, and Chile. By industry, the main investment destinations are mining (29%), services (24%), oil and gas (17%), manufacturing (10%), finance (13%), and energy (6%).

U.S. foreign direct investment in Peru amounted to \$10.1 billion in 2013, a 16% increase from 2012, according to the U.S. Department of Commerce Bureau of Economic Analysis. Of that sum, \$7.0 billion was invested in mining, \$1 billion in manufacturing, and \$344 million in wholesale trade.

Major foreign direct investments included Xstrata (Switzerland), Hunt Oil (U.S.), Newmont Mining Corporation (U.S.), BHP Billiton (Australia), Cencosud Internacional Limitada (Chile), Endesa Latinoamericana (Spain), Freeport-McMoRan (U.S.), Golds Fields Corona (South Africa), SN Power Peru (Norway), Compania Minera Latino-Americana (Chile), Sempra Energy (U.S.), Citibank (U.S.), Southern Peru Copper (Mexico), Pluspetrol (Argentina), Scotiabank (Canada), Telefonica (Spain), Repsol (Spain), Gerdau (Brazil), Anglo American (United Kingdom), Invercale (Chile), Asa Iberoamerica (Spain), Fraport AG Frankfurt Airport Services Worldwide (Germany), Aeropuertos Andinos del Peru (Argentina), and the Falabella Group (Chile). When completed, Glencore-Xstrata's \$5.2 billion Las Bambas copper mine project in Apurimac will rank as Peru's largest foreign direct investment ever. The multi-year Hunt Oil-led investment is part of a consortium that invested \$3.8 billion to develop a natural gas liquefaction plant, maritime terminal, and pipeline in southern Peru.

Peru's direct investment abroad amounts to \$2.1 billion, according to the BCR. Peruvian investment in Chile, Brazil, the United States, and Bolivia comprised the vast majority of Peru's direct investment abroad.

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country	2013	193,214	2013	No data	http://www.worldbank.org/en/country
Gross Domestic Product (GDP)	2012	199,608	2012	203,790	
(Millions U.S. Dollars)	2011	176,727	2011	181,011	
	2010	153,710	2010	157,609	
	2009	126,910	2009	130,064	

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
U.S. FDI in partner country (<i>Millions U.S. Dollars, stock positions</i>)	2013	No data	2013	No data	(BEA)_click selections to reach. <ul style="list-style-type: none"> • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
	2012	No data	2012	10,918	
	2011	No data	2011	8,993	
	2010	9,199	2010	7,196	
	2009	9,113	2009	6,435	
Host country's FDI in the United States (<i>Millions U.S. Dollars, stock positions</i>)		No national data available	2013	No data	(BEA)_click selections to reach <ul style="list-style-type: none"> • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
			2012	122	
			2011	235	
			2010	182	
			2009	112	
Total inbound stock of FDI as % host GDP (<i>calculate</i>)	Year	Amount	Year	Amount	
	2013	No data	2013	No data	
	2012	No data	2012	No data	
	2011	No data	2011	No data	
	2010	0.253	2010	0.246	
2009	0.272	2009	0.265		

* Peruvian (host country) statistical sources:

http://www.mef.gob.pe/index.php?option=com_content&view=article&id=1116&Itemid=100233&lang=es

<http://elibrary-data.imf.org/DataReport.aspx?c=11666795&d=33061&e=171392>

<http://www.bea.gov/international/di1usdbal.htm>

**TABLE 3: Sources and Destination of FDI
Peru, 2013**

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (*US Dollars, Millions*)

Inward Direct Investment			Outward Direct Investment		
Total Inward	38,841	100%	Total Outward	1,239	100%
United States	9,199	24%	Chile	367	30%
Canada	4,710	12%	United States	267	22%
Spain	3,700	10%	Panama	212	17%
Panama	2,803	7%	Jamaica	194	16%
Cayman Islands	2,590	7%	Bolivia	116	9
"0" reflects amounts rounded to +/- USD 500,000.					

Source: International Monetary Fund, <http://cds.imf.org/>

Contact Point at Post

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How Do I Get Paid (Methods of Payment)

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According to Banco de Crédito del Perú, Peru's largest bank, 60% of payments for exports to Peru are via open accounts. Open account use has increased dramatically as Peru's economy has strengthened since 1990. Documentary collections are the second most common payment method, involving over 20% of total transactions. Letters of credit account for about 16% of transactions (down from close to 100% before 1990). Traders use other payment methods, including factoring, banker's acceptances, and cash in advance. Banks are the usual collectors for exports to Peru.

The leading credit-rating agency in Peru is Dun & Bradstreet S.A.C. (www.dnbperu.com.pe; dnb@dnbperu.com.pe), followed by Coface Peru (www.coface.com.pe; coface.peru@coface.com.pe) and Informa Peru (www.informadelperu.com/english/index.html; clientes@informadelperu.com)

There are two credit-reporting agencies in Peru, Infocorp/Equifax (www.infocorp.com.pe; info@infocorp.com.pe), and CERTICOM (www.certicom.com.pe; certicom@certicom.com.pe).

The Securities and Exchange Supervisory Agency (SMV, www.smv.gob.pe) lists the following four risk-rating agencies:

- Apoyo & Asociados Internacionales S.A.C. Clasificadora de Riesgo (www.aai.com.pe)
- Clasificadora de Riesgo Pacific Credit Rating SAC (www.ratingspcr.com)
- Class & Asociados S.A. Clasificadora de Riesgo (www.classrating.com)
- Equilibrium Clasificadora de Riesgo S.A. (www.equilibrium.com.pe).

How Does the Banking System Operate

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Peru's adherence to sound fiscal and monetary policies helped the country withstand the 2008-2009 global financial crisis, China's economic slowdown, and the ongoing situation in Europe. Peru's current economic situation is a far cry from that in the mid-to-late-1990s when its banks were heavily dependent on foreign credit lines (59% of the banks' credit sources in the first half of 1998 came from foreign credit lines). Before the 1990s Peru suffered from chronic balance of payments and fiscal deficits, and from extremely low foreign reserves.

As of December 2012, Peru had over US\$63.76 billion of net foreign reserves. Most banks' funding comes from domestic deposits. The local branches of foreign banks are strong. Private pension funds control large and growing assets. The financial system enjoys a low delinquency ratio. Additionally, the Ministry of Economy and Finance saved close to US\$6 billion from fiscal surpluses in the 2006-2008 period. The Peruvian government used part of these savings to address the effects of the global financial crisis in 2008-2009 when Peru had a US\$2.4 billion fiscal deficit. From 2009 to 2012, Peru again ran a fiscal surplus because of domestic demand, high commodity prices, exports, and foreign investment.

Trade financing is available to the Peruvian purchasers of U.S. goods and services through their local banks. The Export-Import Bank of the United States (Ex-Im Bank) offers loans and loan guarantees to U.S. exporters of goods and services and foreign purchasers. The Ex-Im Bank also provides credit insurance to U.S. businesses against non-payment by foreign buyers in the case of political or commercial risk. The Overseas Private Investment Corporation (OPIC), an independent U.S. government agency, offers medium- to long-term financing and political risk insurance.

Peru's financial system consists of 16 commercial banks, 32 municipal and rural savings banks and microfinance institutions, eleven specialized institutions ("financieras"), two leasing institutions, and four government-owned entities: the Central Bank (Banco Central de Reserva del Peru, or BCRP), the government's financial agent (Banco de la Nacion), development banks, the Corporación Financiera de Desarrollo (COFIDE) and Agrarian Bank. These institutions, along with five private pension fund administrators, 14 insurance companies, and 20 miscellaneous companies, are regulated by the Superintendency of Banks, Insurance, and Pension Funds Administrators, (Superintendencia de Banca y Seguros, SBS). SBS policy generally follows regulatory guidelines set by the Switzerland-based Bank for International Settlements (BIS). For example, regulators must audit bank financial statements in compliance with internationally accepted auditing standards. In cases not covered by BIS guidelines, regulators use standards set by the International Financial Reporting Standards (IFRS). In addition, SBS regulations require that at least two independent credit rating agencies, accredited by the SBS, conduct periodic compulsory assessments for all deposit-taking institutions. Another 150 savings and loan corporations, however, operate in an environment almost devoid of government oversight.

Financial institutions allocate credit on market terms. Observers consider the banking industry in Peru as competitive in serving customers. Private pension funds have competed in recent years for both private and public bonds issued locally by companies and the Peruvian government. These entities compete actively because the supply of domestic securities is insufficient given the small size of the local market. Foreign investors can obtain credit and float bonds on the local market. Several of them have done so in the last few years while terms remain more competitive than terms of usual international centers. Under the U.S.-Peru Trade Promotion Agreement (PTPA), U.S. financial service suppliers have full rights to establish subsidiaries or branches for banks and insurance companies.

The private sector has access to a variety of credit instruments. From January through October 2012, firms placed US\$1.48 billion on the local bond market, 62.2% above the same period a year earlier. Mutual funds managed US\$6.54 billion in October 2012, a

32.2% increase from the October 2011 level. By October 2012, private pension funds managed a total of US\$35.7 billion.

The banking system is considered generally sound, thanks to lessons learned during the 1997-1998 Asian Crisis. Since then, the SBS has progressively revamped operations, increased capitalization, and reduced costs. Using conservative criteria, SBS assessed that 2.3% of total loans were non-performing as of October 2012, down from a high of 11% in early 2001.

Customer deposits carry insurance financed by commercial bank contributions to an insurance fund (www.fsd.org.pe). The amount changes quarterly on the basis of the wholesale price index. For the December 2011-February 2012 period, the insurance fund insures accounts up to US\$33,930. Peruvian law empowers the BCR to act as a "lender of last resort" in the case of a run on any commercial bank only up to the limit of the bank's net worth, since the SBS has set liquidity requirements on deposits and other short-term liabilities at relatively high levels. Banks must also meet liquidity requirements on all short-term liabilities, including amounts due to banks outside of Peru. Should the need arise (in cases of currency stress), the Central Bank has immediate access to US\$662 million in credits from the Latin American Reserves Fund (Fondo Latinoamericano de Reservas, or FLAR), for up to one month or US\$828 million for up to three years. The Central Bank can also access other credits for longer terms. U.S. Treasury instruments back FLAR's assets.

Foreign-Exchange Controls

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The Peruvian government eliminated foreign-exchange controls in 1990. The BCR, however, has kept a tight lid on the amount that local private pension funds (AFP) can invest in foreign securities. In July 2011 a law increased this limit to 50%, but the BCR only raised the "operative" limit to 32% at the end of 2012. In recent years AFPs have protested this limit on grounds that the local securities market is still small and unable to absorb the increasing funds the AFPs manage. The BCR has signaled its readiness to increase the ceiling in response to these concerns. Companies and individuals are free to maintain and operate accounts in domestic and foreign currencies at local or foreign banks.

U.S. Banks and Local Correspondent Banks

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Citibank is the only U.S. bank operating in Peru. Most U.S. companies select a correspondent bank by soliciting a recommendation from their U.S. bank. Most Peruvian banks have correspondent banking relationships with a U.S. bank or banks. As of June 2011, the commercial banks in Peru that had correspondent banking relationships with U.S. banks include (in alphabetical order):

Banco BBVA-Continental (<http://www.bbvabancocontinental.com>)
Banco de Comercio (<http://www.bancomercio.com>)
Banco de Crédito del Perú (<http://www.viabcp.com>)
Banco Financiero del Peru (<http://www.financiero.com.pe>)
Banco Interamericano de Finanzas (<http://www.bif.com.pe>)
Banco Santander (<http://www.santander.com.pe>)
Citibank (<http://www.citibank.com/peru>)

HSBC Bank Peru (<http://www.hsbc.com.pe>)
Interbank (<http://www.interbank.com.pe>)
Scotiabank Peru (<http://www.scotiabank.com.pe>).

Project Financing

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Since the market reforms of the early 1990s, the private sector has carried out all major projects, though sometimes in a Public-Private Partnership with the government. Foreign companies have undertaken large projects, with financing obtained in their countries of registration, from multilateral development banks, and/or from local lenders. In recent years, due to the Central Bank limit on the amount that Peruvian pension funds can invest abroad, there has been intense local competition for lending, interest rates have fallen below those in New York and London for creditworthy companies, and local banks have increased their sophistication. The number of projects totally or partly financed locally has grown since 1999. The three major banks involved in this area are Banco de Crédito del Peru, Banco BBVA-Continental, and Citibank. Some projects, such as the Camisea natural gas pipeline, have been partly financed by multilateral development banks, including the IDB, World Bank, and Andean Finance Corporation (CAF). Some projects have been structured with simultaneous or subsequent financing from the local capital market (e.g., corporate bonds). The U.S. Ex-Im Bank is an active market participant. There are 12 active Ex-Im Bank lenders/brokers operating in Peru. The U.S. Commercial Service Lima office offers a list of these companies.

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

Inter-American Development Bank: <http://www.iadb.org>

The World Bank Group: <http://www.worldbank.org>

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Business Customs

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In Peru business dress is conservative, meaning suits and ties for men and dresses or suits for women are the norm. It is customary to exchange business cards at the outset of a meeting.

Business travelers to Peru seeking appointments with U.S. Embassy Lima officials should contact the Commercial Service in advance. The Commercial Service can be reached by telephone at (511) 618-2442 or 434-3040; by fax at (511) 434-3041, by email at: Office.Lima@trade.gov, or see the website at <http://export.gov/peru/>.

Travel Advisory

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International business travelers increasingly find a sufficient number of rooms in local hotels, several built in recent years. General travel information, including travel warnings and alerts, can be found at U.S. Department of State's webpage at <http://travel.state.gov/>.

The Department of State issues Country Specific Information for all foreign countries, including Peru, with information including the location of the U.S. embassy or consulate, immigration requirements, health conditions, minor political disturbances, unusual currency and entry regulations, crime and security information, and drug penalties. Peru's Country Specific Information can be found at http://travel.state.gov/travel/cis_pa_tw/cis/cis_998.html/.

The U.S. Embassy in Lima also maintains a website with a wealth of information for U.S. business travelers at <http://lima.usembassy.gov/>.

The Department of State recommends that all U.S. citizens traveling overseas enroll their trip with the Secure Traveler Enrollment Program. Travelers may register their stay in Peru online at http://travel.state.gov/travel/tips/registration/registration_4789.html/.

Visa Requirements

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A valid U.S. passport is required to enter Peru. Tourists staying less than 90 days do not require a visa. It is recommended that business travelers to Peru travel on a tourist visa provided they are not reimbursed for their services while in Peru. However, if any compensation is earned and paid while in Peru, a business visa is required and an income tax declaration must be processed before departing Peru. This process takes approximately three days.

Travelers needing a business visa should contact the Peruvian Consulate General Office in Washington, D.C located at 1625 Massachusetts Avenue, N.W., 6th Floor, Washington, D.C. 20036; telephone number: (202) 462-1081; website: <http://www.embassyofperu.org/>. There are also Peruvian consulates in Atlanta, Boston, Chicago, Dallas, Denver, Hartford, Houston, Los Angeles, Miami, New York, Paterson, and San Francisco.

U.S. companies that require travel of foreign businesspersons to the United States should direct visa applicants to the following links:

State Department Visa Website: <http://travel.state.gov/content/visas/english.html>

U.S. Embassy Lima Consular Section: <http://lima.usembassy.gov/niv.html/>.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

Telecommunications

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The telecommunications industry in Peru has been steadily modernized following the privatization of the national telephone company, which was bought by Telefónica de España (www.telefonica.com.pe) in 1994. Wireless internet access is available at many restaurants and cafes, as well as internet cafes. Telefónica has 55% of the mobile market and 81% of the land line market. Some companies and individuals have complained about Telefónica's customer service and slow installation rate. Other mobile competitors are Claro (www.claro.com.pe) and Nextel (www.nextel.com.pe, bought in April 2013 by the Chilean firm Empresa Nacional de Telecomunicaciones, Entel).

Broadband access through internet cafes is widely and inexpensively available in all cities and in most small towns. Mobile phones with the following protocols work in the local market: GSM/GPRS 1900 MHZ band (same as U.S.), CDMA1x -request international roaming service with your U.S. provider and Nextel Direct Connect radio service.

For travelers to Peru, a smartphone will function if it has GSM/GPRS service. For long distance calling there are a variety of pre-paid calling cards, as well as Nextel's International Direct Connect with flat rate for long distance. Long distance Direct Access through credit card numbers for AT&T, Sprint, and MCI WorldCom is also available.

International calls can be made through Voice over Internet Protocol (VoIP) services such as Skype or Google Talk in most internet cafes. Major U.S. long distance calling cards are accepted at major hotels.

Transportation

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Airlines

There are eighteen international passenger airlines and six companies serving routes within Peru. Currently five U.S. airline companies offer 98 non-stop flights between the U.S. and Peru. American Airlines offers fourteen weekly flights Lima-Miami and seven weekly flights Lima-Dallas; Delta Airlines provides seven weekly flights Lima-Atlanta; United Airlines services seven weekly flights Lima-Newark and seven Lima-Houston. The low fare companies, Spirit Airlines and Jet Blue, provide seven weekly flights each Lima-Ft. Lauderdale. In addition, Avianca offers seven weekly flights to Miami while LAN Airlines services fourteen weekly non-stop flights from Lima to Miami, seven to New York, and fourteen to Los Angeles. Ninety-five percent of the international flights arrive at "Jorge Chavez International Airport" in Lima. Most of these airline companies also provide cargo transportation services.

Domestic flights between Lima and larger cities in Peru are provided by LAN Peru, Avianca, L.C. Peru, Star Peru, Peruvian Airlines, and ATSA (charter service.) Cusco is the second busiest commercial airport within Peru with more than twenty daily flights from Lima. Other international companies serving Peru and serving other countries are: Aerolineas Argentinas, Aeromexico, Air Canada, Air Europa, Air France, Copa Airlines, Iberia, KLM, LAN Airlines, Sky Airlines, Avianca, and TAM providing passenger and cargo services through the "Jorge Chavez International Airport" run by Lima Airport Partners-LAP.

Railways

The railway system in Peru is not well-developed and is quite limited to 1,928.8 kilometers formed by:

- Ferrocarril del Centro of 489.6 Km. Given in concession to Ferrovias Central Andina and operated by Ferrocarril Central Andino (FCCA). FCCA offers cargo services of minerals Huancayo-La Oroya-Callao and Cerro de Pasco-La Oroya-Callao and seasonal passenger services Lima-Huancayo.
- Ferrocarril Huancayo-Huancavelica of 128.7 Km. Run by the Ministry of Transport and Communications providing cargo and passenger services.
- Ferrocarril del Sur of 989.7 Km. Given in concession to Ferrocarril Transandino, operates Matarani-Arequipa-Puno, Juliaca-Cusco, Cusco-Machu Picchu, and Pacha-Urubamba. PeruRail and Inca Rail provide passenger roundtrip services from Cusco or the Sacred Valley to Machu Picchu in Aguas Calientes. PeruRail also offers passenger services between Cusco and Puno.
- Ferrocarril Tacna-Arica of 60 Km. Run and operated by the Regional Government of Tacna providing cargo and passenger services.
- Ferrocarril Toquepala-Ilo of 217.7 Km. Operated by the private mining company, Southern Peru Copper Corp. carries concentrates from the copper mines of Toquepala and Cuajone to the Ilo smelter, and the Ilo refinery to the port of Ilo.

-Ferrocarril Caripa-Condorcocha of 13.6 Km. Operated by the private cement company, Cemento Andino.

-Ferrocarril Santa-Clara-Cajamarquilla of 7.3 Km. Operated by the Brazilian company Votorantim Metais carries concentrates from the Cajamarquilla zinc plant.

Supreme Decree No. 059-2010-MTC approved Lima's basic metro system, the electric system of massive transportation of Lima and Callao, which includes 5 lines. Line 1, already in operation, consists of two routes. The first one with a length of 22.2 Km., connecting Villa El Salvador with Estación Grau in Cercado de Lima (downtown Lima), and the second route recently inaugurated with 12.40 Km. long with ten stations, connecting Cercado de Lima to El Agustino and San Juan de Lurigancho.

The second Lima Metro line of 35 Km running east to west from Ate to Callao was recently awarded to the consortia Nuevo Metro de Lima formed by COSAPI (Peru), and European companies Impregilo, Iridium, Vialia, Ansaldo Breda and Ansaldo STS. Dragados, FCC and Iridium. This US\$5.6 billion investment will start its operation in June, 2014 and should be concluded in June 2019. It will have 35 stations and will travel underground through nine districts in Lima and three in Callao. Additionally a branch of 8 Km. will be built from Gambetta and Faucett avenues towards the Lima's Jorge Chavez International Airport.

Ground transportation

Public bus and mini-bus ("combi") ground urban and inter-city transportation is not recommended due to a high incidence of traffic accidents in Peru and, in the case of inter-city transportation due to the high rate of highway bus robberies. Taxis are not metered, so fares must be negotiated before getting into the cab, with the caveat that few taxi drivers speak English. Taxis are plentiful and provide an inexpensive way to get around Lima and in major cities; however it is recommended to arrange these services with the hotels or call a radio taxi company. Non-contracted taxi services should only be used when other options are unavailable given numerous safety concerns related to the security and legitimacy of Peruvian taxi travel. Furthermore, given the increasingly congested traffic conditions and security concerns, it is advisable that business travelers contract hourly taxi service or hire cars with drivers instead of renting a vehicle. Tips are not expected on short rides. If you lease a car with a driver, a tip is common.

Airport Taxis

Transportation to and from the airport by radio taxi or taxi service is approximately US\$25. The traveler can make transportation arrangements with the hotel before arrival or use one of the taxi services at the Lima International airport. The two taxi services that are considered safe and reliable are: MITSUI and CMV. These taxi services counters can be located in the baggage and customs area of the airport. The service counter is located on the left side before exiting the terminal glass doors. The domestic wing has similar taxi services.

Language

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Business is conducted in Spanish. Although a big number of executives in the Peruvian business community speak English, promotional literature should be translated into

Spanish. Quechua and Aymara are spoken in the Andean highlands. High-tech companies like Microsoft and Claro promote their products in the traditional languages.

Health

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Peruvian medical facilities do not generally meet U.S. standards, although some private clinics do. If visitors take certain precautions about food and drink, the level of risk is manageable. Cholera, dengue, and other infectious diseases such as hepatitis A, B and C are present in Peru. Travelers in Peru should always consume bottled beverages instead of potentially contaminated water. Avoid ice cubes. Fish, shellfish, and vegetables should not be eaten unless well cooked, and all food should be eaten while still hot. Peeled fruits are generally safe. Travelers to the jungle areas of Peru should have up-to-date yellow fever vaccinations and malaria prophylaxis. There are several clinics in the Lima area which have U.S.-trained personnel and up-to-date medical equipment. Since U.S. medical insurance is not always valid outside the United States, supplemental insurance is useful, especially to provide coverage for medical evacuation.

Local Time, Business Hours, and Holidays

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Lima is situated directly south of New York and is in the Eastern Standard time zone (UTC minus 5), but Peru does not follow daylight savings time. Dates are written starting with the day of the month, followed by the month and finishing with the year.

Business hours in Peru are generally from 8:00 a.m. to 5:00 p.m. Breakfast meetings are becoming more common, and business lunches are normally scheduled between the hours of 1:00 to 3:30 p.m. Some shops and businesses operate from 10:00 a.m. to 1:00 p.m. and from 4:00 p.m. to 8:00 p.m., although continuous operation is increasingly common. Business offices, excluding banks, are closed on Saturdays. In the provinces, business hours are usually from 9:00 a.m. to 1:00 p.m. and from 4:00 p.m. to 7:00 p.m. "Peruvian time" refers to the fact that it is acceptable to arrive a half an hour late for social functions. However, punctuality is generally expected for business visitors for social and business functions.

Upcoming Peruvian official holidays are:

Saints Peter and Paul	June 29, 2014
Independence Day	July 28-29, 2014
Saint Rose of Lima	August 30, 2014
Battle of Angamos	October 8, 2014
All Saints' Day	November 1, 2014
Immaculate Conception	December 8, 2014
Christmas Day	December 25, 2014
New Year's Day	January 1, 2015
Holy Thursday	April 2, 2015
Good Friday	April 3, 2015
Labor Day	May 1, 2015

The U.S. Embassy is closed on these holidays and also on the following U.S. holidays:

Independence Day	July 4, 2014
Labor Day	September 1, 2014
Columbus Day	October 13, 2014
Veterans Day	November 11, 2014
Thanksgiving	November 27, 2014
Martin Luther King Day	January 19, 2015
President's Day	February 16, 2015
Memorial Day	May 25, 2015

Temporary Entry of Materials and Personal Belongings

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Goods for registered trade fairs may temporarily enter Peru by paying a bond, but without paying duties, and following the normal documentation requirements mentioned in Chapter 5, Section "Import Requirements and Documentation." In addition to normal passenger baggage, a cellular phone (and its accessories) and a laptop are allowed without paying duties.

To access Peruvian customs information in English, refer to:
<http://www.sunat.gob.pe/customsinformation/index.html>

Customs Guide for Travelers:

<http://www.sunat.gob.pe/customsinformation/passengerinformation/index.html>

Customs Baggage Declaration Form, with the list of items that travelers can bring duty-free: <http://www.sunat.gob.pe/orientacionaduanera/viajeros/formatos/DDJJ-Ingles.pdf>

Web Resources

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U.S. Department of State's Travel Website: <http://travel.state.gov/>

U.S. Department of State's Country Specific Information for Peru:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_998.html/

U.S. Department of State's Consular Information Sheet for Peru:
<http://travel.state.gov/content/passports/english/country/peru.html>

U.S. Embassy in Lima: <http://lima.usembassy.gov/>

U.S. Department of State's Secure Traveler Enrollment Program:
http://travel.state.gov/travel/tips/registration/registration_4789.html/

Embassy of Peru in Washington D.C.: <http://www.embassyofperu.org/>

U.S. Embassy in Lima, Lost and Stolen Passports:
<http://lima.usembassy.gov/lostpass.html/>

U.S. Department of State, Visas: <http://travel.state.gov/content/visas/english.html>

U.S. Embassy in Lima, Visas: <http://lima.usembassy.gov/visas.html/>

Peruvian Customs Information in English:
<http://www.sunat.gob.pe/customsinformation/index.html>

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Chapter 9: Contacts, Market Research and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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U.S. Government

U.S. Department of Commerce (U.S. Embassy Lima, Peru)
U.S. Commercial Service Lima
3230 Lima Place
Washington, DC 20521
Ricardo J. Peláez, Commercial Counselor
Rachel Kreissl, Commercial Officer
Cesar Jochamowitz, Senior Commercial Specialist
Flora Muroi, Commercial Specialist
Gustavo Romero, Commercial Specialist
Tel.: (511) 618-2442, 434-3040 Fax: (511) 434-3041
E-mail: Office.lima@trade.gov
Website: <http://export.gov/peru/>

Trade Information Center in Washington: 1-800-USA-TRADE
www.ita.doc.gov/td/tic/

U.S. Department of Commerce (Washington, D.C.)
14th & Constitution Avenue, N.W. Room Nr. C-300
Washington, D.C. 20230
Matthew Gaisford, Peru Desk Officer
Email: matthew.gaisford@trade.gov
Tel.: (202) 482-0052 Fax: (202) 482-1972
Website: www.commerce.gov/

U.S. Department of State (U.S. Embassy Lima, Peru)
Unit 3230
DPO AA 34031 - USA
Ambassador Brian A. Nichols
Mark Cullinane, Economic Counselor
Ernest Abisellan, Deputy Economic Counselor
Peter Lee, Economic Officer
Esteban Sandoval, Economic Specialist
Tel.: (511) 618-2410
Website: <http://lima.usembassy.gov/econ.html>

U.S. Department of State (Washington, D.C.)
2201 C Street N.W., Room 4915.
Washington, D.C. 20520
Shane Hough, Peru Desk Officer
Tel.: (202) 647-4177
Email: houghms@state.gov
Website: www.state.gov

U.S. Department of Agriculture/ Foreign Agricultural Service (FAS)
(U.S. Embassy Lima, Peru)
Unit 3230, Box 381
DPO AA 34031
Tel: (511) 618-2491, 434-3042 • Fax: (511) 434-3043
Casey Bean, Regional Agricultural Counselor
Mariano J. Beillard, Regional Agricultural Attaché
Gaspar Nolte, Senior Agricultural Specialist
Alvaro Loza, Agricultural Marketing Specialist
Email: Aglima@fas.usda.gov
Websites: www.usda.gov and www.fas.usda.gov

Animal and Plant Health Inspection Service (APHIS)
Tel.: (511) 434-4202 Fax: (511) 434-0958
George “Andy” Ball, Senior Attaché for Chile, Ecuador, and Peru (resident in Lima)
Gladys Solano, APHIS Program Specialist
Email: gladys.solano@aphis.usda.gov
Tel: (511) 434-4202 • Fax: (511) 434-0958
Website: www.aphis.usda.gov

U.S. Department of Agriculture
1401 Independence Avenue, S.W. - MS 1071
Washington, D.C. 20250
Lisa Anderson, Western Hemisphere Area Director, Office of Foreign Service Operations
Email: lisa.anderson@fas.usda.gov
Tel: (202) 720-3221 • Fax: (202) 720-5183
Website: www.usda.gov and www.fas.usda.gov

U.S. Department of Agriculture/ Foreign Agricultural Service
Trade Assistance and Promotion Office
Tel: (202) 720-7420
Fax: (703) 875-4009

Export-Import Bank of the United States (Ex-Im Bank)
811 Vermont Avenue, N.W.
Washington D.C. 20571
Tel.: Toll Free (800) 565-EXIM (3946), Business Development (202) 565-3900
Fax: (202) 565-3931
Email: info@exim.gov
Website: www.exim.gov
Xiomara Creque, Acting Regional Director-Americas
Email: Xiomara.creque@exim.gov
Tel.: (202) 565-3477 Fax: (202) 565-3931

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel.: InfoLine: (202) 336-8799 Fax: (202) 408-8959
Email: info@opic.gov
Website: www.opic.gov

U.S. Trade and Development Agency (TDA)
1000 Wilson Boulevard, Suite 1600
Arlington, VA 22209-3901
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Email: lac@ustda.gov
Website: www.tda.gov
Isabel Sepulveda, Country Manager, Latin America and the Caribbean

Government of Peru

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(Presidency of the Council of Ministers)
Jr. Carabaya cdra 1, Lima
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Av. La Universidad 200, La Molina
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(Equivalent to APHIS)
Av. La Molina 1915, La Molina
Lima – 12, Peru
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Website: www.senasa.gob.pe
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(Ministry of Foreign Trade and Tourism)
Calle Uno Oeste s/n Piso 17, Urb. Corpac, San Isidro
Lima 27, Peru
Tel.: (511) 513-6100 Fax: (511) 224-3362
Website: www.mincetur.gob.pe
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Ministerio de Economía y Finanzas
(Ministry of Economy and Finance)

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Fax: (511) 611-6000 Anx 1634
Website: www.minam.gob.pe
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Urb. Corpac, San Isidro
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Tel.: (511) 616-2222 Fax: (511) 616-2200 x705
Website: www.produce.gob.pe
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Ministerio del Interior
(Ministry of the Interior)
Plaza 30 de Agosto s/n - Piso 4, San Isidro
Lima 27, Peru
Tel.: (511) 225-0202 Fax: 224-2405
Website: www.mininter.gob.pe
Daniel Urresti, Minister

Ministerio de Relaciones Exteriores
(Ministry of Foreign Affairs)
Palacio Torre Tagle, Ucayali 363
Lima 1, Peru
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Gonzalo Gutierrez, Minister

Ministerio de Salud
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Av. Salaverry Cdra. 8, Piso 4
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Midori de Habich, Minister

Dirección General de Salud Ambiental (DIGESA)
Las Amapolas 350, Urb. San Eugenio, Lince
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(Ministry of Transport and Communications)
Calle Zorritos 1301
Lima 1, Peru
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Website: www.mtc.gob.pe
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Ministerio de Vivienda, Construcción y Saneamiento
(Ministry of Housing, Construction and Sanitation)
Av. Paseo de la Republica 3661, San Isidro
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Website: www.vivienda.gob.pe
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Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad
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(Association of Banks)
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Lima – 27, Peru
Tel.: Direct: (511) 612-3303 / Switchboard: (511) 612-3333
Fax: (511) 612-3300
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Website: www.asbanc.com.pe
Oscar Rivera, President
Julio Figueroa, General Manager

Asociación de Industriales Lácteos
(Dairy Product Producers Association)
Sociedad Nacional de Industrias
Los Laureles 365 San Isidro
Lima 27 - Peru
Tel.: (511) 616 4444, ext. 165 • Fax: (511) 441-1639
E-mail: adil@sni.org.pe
Rolando Piskulich, President

Asociación Peruana de Porcicultores
(Pork Producers Association)
Pomalca 327 Urb. Centro Comercial Monterrico, Surco
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E-mail: asoporci@terra.com.pe
Website: <http://www.asoporci.org.pe>
Guillermo Vidal, President
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Asociación Peruana de Avicultura
(Poultry Producers Association)
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E-mail: apavic@apavic.com
Website: www.apavic.com
Pedro Mitma Olivos, President
Mario Berrocal, General Manager

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Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

<http://export.gov/peru/tradeevents/perutradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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