



Doing Business in Peru: 2013 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 has been one of the fastest growing Latin American economies for the past ten years. Since 2002 the Peruvian economy has grown by an average of 6.4% per year, a trend expected to continue with a projected GDP growth of 6.3% in 2013. Consumption and private investment are the main driving forces of this growth. Projections for 2013 are that investment will grow 8.3% to a value of US\$33.5 billion. The Ministry of Economy and Finance (MEF) set a target of 30% growth in public investment. As the economy has grown, poverty in Peru has steadily decreased. In its November 2012 Peru Handbook, HSBC states that Peru is “the third-fastest growing consumer market globally, and set to be a bigger economy than Chile, Colombia, or even South Africa in the long term”.

The steady economic growth began with the pro-market policies enacted by President Fujimori in the 1990s. All subsequent governments 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 social spending 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. 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 exchange rate, as of December 2012, was 2.55 Soles per US\$1.

The Peruvian Government has encouraged 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 2012, the U.S. was the second largest destination for Peruvian exports, receiving 13.4%, and the main supplier of goods to Peru with an 18.9% market share. Peru has preferential trade agreements with 49 countries and unions including the U.S., Argentina, Brazil, Uruguay, Paraguay, Bolivia, Colombia, Ecuador, Canada, Chile, China, Mexico, Japan, Singapore, South Korea, Norway, Iceland, Liechtenstein, Switzerland, Thailand, and Panama.

In its *Doing Business 2013* publication, the World Bank ranked Peru 43rd among 183 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 Peru's Constitution guarantees economic freedom under Article 63, 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 which 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 investment 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 decision-making.

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. 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 has failed to impose sentences that adequately deter future IP theft.

Taxes also present some difficulties. As one of the keystone features of the PTPA, approximately 80% of U.S. industrial and consumer goods enter Peru duty-free. However, a value added tax of 18% applied to virtually all goods sold in the country results in relatively higher prices for many goods in comparison to those prevailing in the United States.

Both domestic and foreign firms continue to identify cumbersome bureaucratic procedures as impediments to doing business in Peru. In addition, customs procedures tend to emphasize strict enforcement and revenue generation over trade facilitation, making it important to ensure that customs and shipping documentation are fully and accurately completed. Firms operating in Peru also note difficulties in securing legal solutions to commercial disputes.

Market Opportunities

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

- Mining Industry Equipment
- Construction Equipment
- Telecommunications Equipment
- Plastic Materials and Resins

- Pumps, Valves, Compressors
- Industrial Chemicals
- Oil and Gas Field Machinery
- Computers and Peripherals

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

- Hard Wheat
- Cotton
- Beef and Offal
- Dairy Products (whey, cheese)

Market Entry Strategy

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U.S. companies often find it advisable 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 informal business practices and bureaucracy. U.S. exporters are encouraged to contact the Foreign 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 locate an agent, distributor, or partners in the region (such as the Gold Key Service). 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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COUNTRY FACT SHEET: PERU

PROFILE

Population in 2011 (Millions): 30
 Capital: Lima
 Government: Republic

ECONOMY

	2009	2010	2011
Nominal GDP (Current Billions \$U.S.)	127	154	177
Nominal GDP Per Capita (Current \$US)	4,362	5,207	5,904
Real GDP Growth Rate (% change)	0.86	8.8	6.9
Real GDP Growth Rate Per Capita (% change)	-0.68	7.1	5.3
Consumer Prices (% change)	2.9	1.5	3.4
Unemployment (% of labor force)	8.4	7.9	7.7

Economic Mix in 2011: 33.7% All Industries; 16.3% Manufactures; 58.4% Services; 7.8% Agriculture

FOREIGN MERCHANDISE TRADE (\$US Millions)

	2009	2010	2011
Peru Exports to World	26,738	35,205	45,636
Peru Imports from World	21,814	30,030	37,747
U.S. Exports to Peru	4,919	6,754	8,336
U.S. Imports from Peru	4,223	5,057	6,605
U.S. Trade Balance with Peru	696	1,697	1,731

Position in U.S. Trade:

Rank of Peru in U.S. Exports	36	34	30
Rank of Peru in U.S. Imports	43	44	44
Peru Share (%) of U.S. Exports	0.47	0.53	0.56
Peru Share (%) of U.S. Imports	0.27	0.26	0.30

Principal U.S. Exports to Peru in 2011:

1. Petroleum & Coal Products (19.7%)
2. Machinery, Except Electrical (19.3%)
3. Chemicals (15.2%)
4. Computer & Electronic Products (13.6%)
5. Agricultural Products (7.1%)

Principal U.S. Imports from Peru in 2011:

1. Primary Metal Mfg (30.6%)
2. Petroleum & Coal Products (15.8%)
3. Agricultural Products (12.9%)
4. Apparel & Accessories (10.8%)
5. Oil & Gas (8.3%)

FOREIGN DIRECT INVESTMENT

	2009	2010	2011
U.S. FDI in Peru (US \$Millions)	5,546	6,364	7,753
FDI in U.S. by Peru (US \$Millions)	112	180	234

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 43 of 185

Heritage/WSJ 2012 Index of Freedom Rank: 42 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC, Census Bureau, Foreign Trade Division. Peru Trade with World from United Nations where available. National Macroeconomic data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. .WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

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Chapter 2: Political and Economic Environment

Summary

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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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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.) It is also advisable to have a representative on the ground to stay abreast of the latest opportunities and developments in your company's area of interest.

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 Commercial Service 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, 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.

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

Establishing a Branch

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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\$1,420 (one tax unit: 3,700 soles for 2013).
- 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 the Registro Unico del Contribuyente (“RUC” or taxpayer number). The taxpayer will use his or her 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. The Stock Market Superintendency (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.proinversion.gob.pe/1/0/modulos/JER/PlantillaStandardsinHijos.aspx?ARE=1&PFL=0&JER=859>

http://www.rree.gob.pe/promocioneconomica/invierta/Paginas/Comience_a_Invertir.aspx

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

All potential investors should contact an attorney to understand the legal framework for investments found in 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 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) maintains a fully staffed arbitration center open to members and non-members.

Franchising

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The franchise sector in Peru encompasses approximately 255 companies, primarily concentrated in food services. About 60% are foreign owned, mostly by U.S. companies, and 40% 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 (INDECOP: 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 internet cafes, fitness centers, 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 carefully guarded 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 limited because of the high degree of mistrust in the quality of the product, difficulty in obtaining warranty support, and less than universal acceptance of credit card orders.

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, U.S. companies may 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/rnp/>). The RNP consists of the following chapters: construction firms, construction consultants, suppliers of goods, suppliers of services, and entities unqualified to contract with the government. An individual or company can register in any of the first four chapters and can choose to register jointly as a goods and services provider.

To register, a company must follow several steps:

- Pay a fee at the Government Contracting Supervisory Agency (Organismo Supervisor de las Contrataciones del Estado, OSCE), of 9.2% (goods and/or services), or 22% (construction) of one UIT taxable reference unit, (Unidad Impositiva Tributaria). For 2013 one UIT is 3,700 Nuevos Soles (approx. US\$1,420).

- 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.

Caution should be exercised when responding to a Peruvian government tender for products or services to ensure it is a valid bid that conforms to the prevailing regulations. Bidders also need to ensure it is a formal bid called for by an authorized agency.

In order to ensure that conflicts of interest do not occur, Peruvian law excludes all currently employed government officials from negotiating contracts for bidding firms with the government. This exclusion lasts one year after termination of employment for former officials before they can participate in companies bidding on government procurement processes in the sector they worked.

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 usually publish tender notices in major newspapers. The government, in an effort to ensure transparency for all government tenders, is currently using the United Nations Office for Project Service (<http://www.unops.org/>) to notify potential suppliers. Peru is not a signatory to the World Trade Organization (WTO) Agreement on Government Procurement.

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 and 50% of GDP generated in and around Lima. As a result, a large portion of the sales activities of U.S. firms occurs in Lima. Sales opportunities do exist 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 qualified 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 tax imposed on 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 undertaking public tenders 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, making this an expensive option.

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 service infrastructure, U.S. goods can be competitive. The strengthening of the Nuevo Sol versus the U.S. dollar has made U.S. product 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 small 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 central mountain range.

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), check, or credit card. Most retailers use credit terms as a sales technique and major department stores issue their own credit cards.

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 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 large- and 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 assist clients with services such as paying utility bills, obtaining insurance coverage, internet shopping and information. Transactions are made with ATM 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) Most services firms within the telecommunications industry 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.telefonica.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 payment of taxes and customs and foreign trade information (<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' service portal (<http://www.reniec.gob.pe/>), and entrepreneurial services (<http://www.miempresa.gob.pe/>). The Peruvian government is also implementing an Electronic System for Acquisitions and Contracting (SEACE: Sistema Electrónico de Adquisiciones y Contrataciones del Estado). The principal objectives of this electronic system are to improve the transparency and the management capacity of government purchases through the implementation of an electronic mechanism of acquisitions, to promote decentralization and efficiency.

There is no Public Key Infrastructure 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 the Peruvian state-owned bank has created a secure platform for online transactions. The National Institute for the Defense of Competition and Protection of Intellectual Property (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 2012, Peruvian advertising expenditures in media exceeded US\$600 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*, which is also the nation's second oldest paper, with 173 years of continuous publication. Other major dailies include *Peru.21*, *Correo*, *La República*, *La Razón*, *La Primera*, *Expreso*, tabloids *Trome*, *Ojo*, and *El Popular*, the independent business daily *Gestión*, 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 the daily. Additionally, *Caretas*, a weekly magazine founded in 1950, is one of Lima's most influential news publications.

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 1,800 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 1.2 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 668,000

subscribers; the America Movil Group (Mexico) with its product “Claro TV” with 182,000 subscribers; the DirecTV Group (USA), offering its cable service "DirecTV" with 140,000 subscribers; and the Caracol Group (Colombia) with its local product “Cablevision” with 20,000 subscribers in Iquitos. 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, and Andina news service.

Pricing

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In general, Peru is an open market, with minimal trade restrictions. The weighted average tariff is 1.7% and the nominal (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).

How to Protect 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 "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 one should consider applying for trademark and patent protection even before selling products or services in the Peruvian market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. 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 Peruvian 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 the U.S. Government can do if the rights holders have not taken the 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 lawsuit. 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. Understand the interests and 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 or not 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 partners. Projects and sales in Peru require constant attention. Work with legal counsel familiar with Peruvian 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 Peruvian and 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 register at www.StopFakes.gov. This website also provides a free online training program about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses. www.StopFakes.gov is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- 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.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-202-707-5959.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, Russia, India, China, Egypt, Thailand, Kenya, Ghana, Mozambique, Angola, Senegal, Nigeria, Colombia, Mexico, Indonesia, Vietnam, Turkey, Saudi Arabia, Argentina, or South Africa. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/ipprogram_consultation.html.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. The IP attaché who covers Peru can be reached at: dorian.mazurkevich@trade.gov (based in Brazil).

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

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

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

Banco Financiero: <http://www.financiero.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.bbvabancocontinental.com/>

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

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

HSBC Bank Peru: <http://www.hsbc.com.pe/>

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

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

Standard Chartered: <http://www.standardchartered.com.pe/>

Accounting Business Consultants

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

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

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/>

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

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

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

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

Credit Reporting Agencies

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

CERTICOM: <http://www.certicom.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/>

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

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

Estudio Echeconpar: <http://www.echeconpar.com.pe/>

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

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

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

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

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

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

Logistics

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

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

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

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

Moving

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

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

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

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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Government Contracting Supervisory Agency: <http://www.osce.gob.pe/>

Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPÍ): <http://www.indecopi.gob.pe/>

Ministry of Foreign Affairs:

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

National Bank: <http://www.bn.com.pe/>

National Superintendence of Tax Administration: <http://www.sunat.gob.pe/>

National Elections Bureau (ONPE): <http://www.onpe.gob.pe>

Private Investment Promotion Agency of Peru – ProInversión:
<http://www.proinversion.gob.pe/>

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

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

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

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

Commercial Sectors

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- [Industrial Chemicals](#)
- [Telecommunications Equipment](#)
- [Pumps, Valves, and Compressors](#)
- [Oil and Gas Field Machinery](#)
- [Computers and Peripherals](#)
- [Agricultural Sectors](#)

OVERALL TRENDS:

2012 was Peru's 14th consecutive year of economic growth. Due to the uncertainty in the global market, growth projections for Peru in 2013 are between 5.5% - 6.3%.

Hydroelectric/Energy Industry:

- There is a huge potential for the development of hydroelectric projects in Peru. In the central and southern parts of Peru, the electrical system is operating at its limit, potentially affecting mining projects that require the use of electrical power.
- In some instances, mining companies began to build their own sources of electrical power. Minera Volcan, for example, has built a small hydroelectric plant of 13 megawatts and has plans to build four more to reach 250 megawatts. Southern Copper also produces its own energy supply in its mines in southern Peru.
- According to some experts, Peru has the capacity to produce over 60,000 megawatts of exclusively hydro-electrical power.

Fisheries:

- The sector decreased 5.7% in 2012 due to climate changes and the decrease of demand in the United States and Europe.
- 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.

Retail:

- The retail industry continues to grow steadily. 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.

Mining Industry Equipment

Overview

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Unit: US\$thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	2,582,548	2,800,848	2,968,899	3,117,344
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	112,315	118,884	126,017	132,318
Total Imports	2,694,863	2,919,732	3,094,916	3,249,662
Imports from the U.S.	812,001	1,043,012	1,105,593	1,160,872
Exchange Rate: US\$1	2.75	2.55	2.51	2.49

(Statistics are unofficial estimates)

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

Data Source: Global Trade Atlas

2012 Import Market Share (percent for U.S. and major competitors): U.S. 34.3%; Brazil 17.8%; China 8.2%; Japan 6.5%; Germany 5.7%; Sweden 5.0%.

The Peruvian mining industry plays an important role in Peru's economy and is recipient of most of the private investment in the country, representing about 58% of all investment projects in Peru. Jorge Merino, Peru's Minister of Energy and Mines, announced that in 2013 the country is expected to attract mining investment projects worth US\$10 billion. The country's mining sector, which accounts for approximately 60% of the nation's exports, is expected to bring US\$53 billion in future investments over the next decade.

In recent years, the mining industry experienced challenges in the domestic environment, as in some areas the local population demonstrated aversion towards the mining business, creating social unrest. This is due to preconceptions based on past environmental mistreatment or mismanagement from local authorities. As a result, regions like Cajamarca, Cuzco, Madre de Dios, and Puno experienced social conflicts and protests. These difficulties led to the approval of the "2011 Prior Consultation Law" (Law 29785), in which indigenous inhabitants have the right to be consulted about any extractive activity in the territories where they live. Additionally, the creation of a special mining tax canon was also approved in September 2011 (Law 29789) aimed at developing infrastructure in poor areas.

The protests, though today focused on the mining companies, have roots in much deeper and older issues of poverty and exclusion. Peru's government has been steadily working to expand anti-poverty initiatives and to bring social programs to the most isolated communities in the country. This year Peru implemented a *wide-ranging* multi-billion-dollar *social development program*. *The plan allocates nearly US\$500 million for pre-natal care for pregnant women, US\$455 million for nutrition programs, and US\$1.5 billion in primary education funding. In July 2012, President Humala introduced a program to provide low-income Peruvians with discounted electricity and free liquefied*

national gas-powered cooking stoves. Peru's government has also continued to support "JUNTOS", a conditional cash transfer program launched in 2005.

Sub-Sector Best Prospects

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The figures below represent each product's share of Peru's total imports from the U.S. in this sector for 2012.

HTS Code	Description	%
8704100000	Dumpers, off-highway, with cab chassis	35.4
8429510000	Front end shovel loaders	12.5
8429520000	Machinery with a 360 degrees revolving superstructure	6.1
8429110000	Track laying bulldozers and angle dozers	4.7
8429590000	Other backhoes, shovels, excavators, etc.	4.4
8430410000	Self-Propelled boring or sinking machinery	4.0

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

Peru's abundance of resources and production capacity places the country among the top producers of various materials. Peru is the primary producer in Latin America of gold, zinc, tin, and lead. Worldwide, Peru is the third largest producer of zinc, tin, copper, and silver. Its sustained leadership is based in 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% of it is under mining exploration and production.

Peru's mines also provide ample export possibilities. In the last 10 years, metal mining exports have increased seven-fold, reaching US\$25.9 billion in 2012. Copper exports represented 38% of the total value of mining exports. Gold is second (34%). During 2011, the main destination of these exports was Switzerland, with US\$5.84 billion (22%), followed by China with US\$5.49 billion (21%), and Canada with US\$3.61 billion (14%).

Opportunities

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Peru is an attractive destination for mining investments due to the high concentration of mineral and metal reserves, the nation's legal framework for promoting private investment, the availability of cadastral and geological information, and the presence of leading, global mining companies. Investments in the sector have grown exponentially since the 1980, reaching a record high of over US\$8 billion in 2012. The Central Reserve Bank of Peru estimates that investments for 2013 and 2014 will exceed US\$7 billion per year.

Currently, there are 52 mining projects (announced or under evaluation) that represent investment of about US\$54 billion. Forty-five percent of the investment projects portfolio corresponds to exploration projects, 36% to projects with approved environmental impact studies and 16% to expansion projects. The country with the most investments in the sector is China with a reported value of US\$10.7 billion (19.9%). It is followed by the U.S. with US\$8.9 billion (16.7%), and Canada with an estimated US\$6.8 billion (12.7%).

Copper continues to be the most important mineral, with investments totaling over US\$35 billion. Copper represents 66.1% percent of nation-wide mineral investment, with gold at 13%, and iron 12.7%.

Following are the main mining investment projects announced for 2013-2014:

Company	Project
Anglo American Plc.	Quellaveco
Marcobre S.A.C.	Mina Justa
Aluminium Corp of China Ltd. (Chinalco)	Toromocho
Minera Yanacocha	Minas Conga
HudBay Minerals Inc.	Constancia
Xstrata Peru	Las Bambas
Xstrata Tintaya	Antapaccay
Candente Copper Corp.	Cañariaco Norte
Lumina Copper	Galeno
Rio Tinto	La Granja
Antares Minerals Inc.	Haquira
Bear Creek Mining Corporation	Corani
Barrick Gold Corp.	Lagunas Norte
Cia. Minera Milpo	Magistral
Freeport-McMoRan	Expansion: Cerro Verde
Southern Copper Corp.	Expansion: Toquepala
Shougang Corporation	Expansion: Marcona
Grupo Milpo	Expansion: Cerro Lindo & El Porvenir

Key Industry Event

Mining Conference and Trade show: Perumin – 31st Mining Convention
September 16-20, 2013, Arequipa, Peru

<http://www.convencionminera.com/perumin31/en/perumin/the-organizer/>

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

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

Web Resources

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

Ministry of Energy and Mines: <http://www.minem.gob.pe/>

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

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

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

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

Supervising Agency for Investment in Energy and Mining - Osinergmin:

http://www.osinergmin.gob.pe/newweb/pages/Estudios_Economicos/99.htm?732

Plastic Materials and Resins

Overview

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Unit: US\$ thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	1,319,956	1,372,754	1,448,255	1,520,667
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	298,609	310,553	327,633	344,015
Total Imports	1,618,565	1,683,307	1,775,888	1,864,682
Imports from the U.S.	544,677	566,464	597,619	627,500
Exchange Rate: US\$1	2.75	2.55	2.51	2.49

(Statistics are unofficial estimates)

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

Data Source: Global Trade Atlas

2012 Import Market Share (percent for U.S. and major competitors): U.S. 33.6%; Taiwan 9.8%; China 8.8%; Brazil 8.8%; South Korea 8.6%; and Colombia 7.8%.

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 country-suppliers include Taiwan, China, Brazil, South Korea, and Colombia.

The Peruvian plastic industry showed in 2010 the highest percentage of growth 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 the 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.

Sub-Sector Best Prospects

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The figures below represent each product's share of Peru's total imports from the U.S. in this sector for 2012.

HTS Code	Description	%
3901	Polyethylene	29.3
3902	Polypropylene	24.7
3907	Resins	18.4

3904	Vinyl Polychlorure	11.2
3906	Acrylic Polymers In Primary Forms	5.8
	Others	12.7

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Despite the uncertainty and competition from Chinese, Korean, Indian, 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.

According to 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 will depend on the behavior of these industries.

Web Resources

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

Manufacturer's Society – Institute of Economic and Social Studies, Sector Report: <http://www.sni.org.pe/iees/sectorial.php/>

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

Commission for the Promotion of Exports and Tourism – PromPeru: <http://www.promperu.gob.pe/>

Construction Materials and Equipment

Overview

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Unit: US\$thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	2,170,843	2,648,992	2,807,931	2,948,327
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	84,834	128,760	136,485	143,309
Total Imports	2,255,677	2,777,752	2,944,417	3,091,637
Imports from the U.S.	488,925	617,149	654,177	686,885
Exchange Rate: US\$1	2.75	2.55	2.51	2.49

(Statistics are unofficial estimates)

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

Data Source: Global Trade Atlas

2012 Import Market Share (percent for U.S. and major competitors): Mexico 35.2%; U.S. 21.6%; Chile 17.7%; Ecuador 16%; Bolivia 7.7%; Colombia 6.3%.

Construction is a very unique and fundamental sector of Peru's economy because it is closely intertwined with other large sectors such as mining, hydroelectric, real estate and infrastructure development.

Peru's rapid economic growth has created an infrastructure gap. This means that in almost every area of the country there is demand for both public and private infrastructure development, such as roads, telecommunications, ports and electrical lines. Economists estimate that Peru has an infrastructure gap of around US\$30 billion.

Demand for construction is also being driven by the growth of the middle class. During the last decade the number of Latin Americans living in poverty declined from 225 million in 2002 to 167 million in 2012, while in Peru the percentage living in poverty declined from 54% to under 28%. These changes are pushing a new stage of infrastructure project development, particularly in urban mobility and water/wastewater.

Experts predict a virtuous cycle for infrastructure project investments in the coming years. This comes as a result of the economic growth of pension funds. Pension funds in Peru currently average roughly 17% of the GDP, but will approach 40% by 2030, with expected returns under 10%.

Another significant change in the construction sector is the emergence of government as a partner to the private sector. This change is not complete; there is not yet a project development paradigm, but as an emerging factor it is requiring enormous new capacities from the public sector, and has dramatically changed attitudes from private firms.

Sub-Sector Best Prospects

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The figures below represent each product's share of Peru's total imports from the U.S. in this sector for 2012.

HTS Code	Description	%
8429510000	Front end shovel loaders	21.1
8429520000	Machinery with a 360 degrees revolving superstructure	10.4
8429110000	Track laying, bulldozers and angle dozers.	7.9
8429590000	Other backhoes, shovels, excavators, etc.	7.4
8430410000	Boring Or Sinking Machinery, Self-Propelled	6.7
8431490000	Other cranes, mobile lifting frames machinery	5.9
847420	Crushing/Grinding Machinery For Earth And Stone Mineral Subs	5.3

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Growth in the construction sector in 2013 will be spurred by a high demand in all areas. The need for transportation and communications infrastructure will contribute to the expansion of the construction sector, while the start of more mining and hydroelectric projects and the increased demand of housing facilities in the real estate sub-sector will further boost the market.

There is currently a housing deficit throughout the country and, according to the Lima Chamber of Commerce; an investment of at least US\$13.5 billion would be needed during the next ten years to cover the housing shortage, which is more than 400 thousand houses. Experts indicate that while real estate projects used to produce between 10-20 housing units, the focus now is on megaprojects that produce between 500-1000 units, targeting in particular people from socio-economic groups B and C (middle-class).

According to the Peruvian Chamber of Construction (CAPECO) president, Walter Piazza, the construction sector should recover its high rates of development in 2013. Similarly, the Lima Chamber of Commerce indicated that sales of capital goods and construction materials could grow between 15% and 25%. According to Peru's National Port Authority (APN) president, Frank Boyle, Peru is planning to invest US\$6 billion over the next six years in a bid to close its gap in port infrastructure.

Peru's thriving construction sector provides a wide variety of investment opportunities. The ProlInversión website, found below, provides detailed information on many projects both large and small, while last year's Latin American Leadership Forum outlined many important projects requiring substantial capital investment such as:

- Mass Use of Natural Gas Nationwide, valued at US\$600 million and sponsored by the Ministry of Energy and Mines.

- Chavimochic Irrigation Project stage III, valued at US\$499 million and sponsored by ProInversión.
- Highway Concessions, longitudinal Sections of the Sierra and Selva, valued at US\$3.8 billion and sponsored by the Ministry of Transport and Communications
- Mass Transport Electric System of Lima and Callao-line 2 section 1, valued at US\$3 billion and sponsored by ProInversión.
- Northern Beltway Concession, Lima, valued at US\$600 million and sponsored by the Lima Municipality office of Urban Transport
- 22KW Moyobamba / Iquitos transmission line, valued at US\$330 million and sponsored by ProInversión.
- National Fiber Optic Backbone, valued at US\$420 million and sponsored by ProInversión.

More information on these projects can be found at the Latin American Leadership Forum website below.

Web Resources

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Fund MIVIVIENDA: <http://www.mivivienda.com.pe/>

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

Ministry of Transport and Communications: <http://www.mtc.gob.pe/>

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

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

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

Latin American Leadership Forum: <http://www.cg-la.com/lalf11>

Industrial Chemicals

Overview

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Unit: US\$thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	567,862	599,094	632,044	663,646
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	634,965	669,888	706,732	742,069
Total Imports	1,202,827	1,268,982	1,338,776	1,405,715
Imports from the U.S.	384,576	406,084	428,042	449,444
Exchange Rate: US\$1	2.75	2.55	2.51	2.49

(Statistics are unofficial estimates)

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

Data Source: Global Trade Atlas

2012 Import Market Share (percent for U.S. and major competitors): U.S. 32.0%; China 14.0%; South Korea 6.9%; Germany 4.8%; Mexico 4.7%; Brazil 4.5%.

The chemical industry plays an important role in the Peruvian economy. It accounts for approximately 2% of the manufacturing industry's GDP. According to experts, the chemical sector is one of the important suppliers for the mining, construction, agro-industrial, fishing, metal-mechanic, and other manufacturing sectors.

The chemical industry in Peru is still considered insufficient to cover the local market demand. Local production is limited to sulfuric acid, hydrochloric acid, dicalcium phosphate, and caustic soda. Exports are mostly to neighboring countries Brazil, Chile, Ecuador, and Venezuela.

Despite the 2011-2012 increase in world prices of chemicals, Peruvian imports of chemicals grew by 5.5% during this period. It is estimated that in 2013 growth will remain similar.

Sub-Sector Best Prospects

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The figures below represent each product's share of Peru's total imports from the U.S. in this sector for 2012.

HTS Code	Description	%
2926	Nitrile-Function Compounds	14.9
2902	Cyclic Hydrocarbons	7.6
2836	Carbonates; Peroxocarbonates; Comm Amm Carbonate	7.0
3206	Coloring Matter; Coloring Prep, etc.	6.7
381700	Mixed Alkylbenzenes & Mixed Alklnaphthalenes	6.0

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The chemical sector will continue to grow based on imports of industrial chemicals for the Peruvian manufacturing sector. While the mining and construction sectors are two of the main users of chemical products, other manufacturing sectors also depend on imports of 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 investment projects 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/>

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

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

Telecommunications Equipment

Overview

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Unit: US\$thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	2,647,687	3,086,817	3,272,026	3,435,627
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	54,813	78,153	82,842	86,984
Total Imports	2,702,500	3,164,970	3,354,868	3,522,611
Imports from the U.S.	260,177	233,223	247,216	259,577
Exchange Rate: US\$1	2.75	2.55	2.51	2.49

(Statistics are unofficial estimates)

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

Data Source: Global Trade Atlas

2012 Import Market Share (percent for U.S. and major competitors): China 61%; Mexico 15.1%; U.S. 9.8%; South Korea 7.4%; Spain 6.0%.

The telecommunications sector is one of the most important sectors in Peru. It currently accounts for 3% of GDP, and with GDP expected to expand 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 great expansion of telecommunication services to remote and rural areas, especially in mobile telephone and broadband access. Some analysts indicate that there are 31.6 million mobile telecommunication clients in Peru. Experts predict 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.

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 overpopulated urban areas of Lima the demand for high-speed services cannot be met with the antique infrastructure presently in place. To address this predicament, the Peruvian government has set in motion a project to create a nationwide fiber optic highway. The government has given ProInversión, the agency which promotes private investment in Peru, the task of selecting a private communications operator to be in charge of rendering public communication services. The Supervisory Board for Private Investment in Telecommunications (OSIPTEL) will be in charge of supervising the concession contract. The project was launched in February of 2013 and an operator will be chosen this year. For more information visit the ProInversión and OSIPTEL websites. Their links can be found at the end of this section.

HTS Code	Description	%
8517	Electric apparatus for line telecommunication or line telegraphy, including line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones; parts	27.8
8544	Insulated (including enameled or anodized) wire, cable (including coaxial cable) and other insulated electric conductors, whether or not fitted with connectors, optical fiber cables, made up of individually sheathed fibers, whether or not assembled with electric conductors or fitted with connectors	15.0
8537	Boards, panels, electrical switches and N/C apparatus and others	11.9
8536	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits, for a voltage not exceeding 1000V	11.8
8543	Electrical machines with ind functions, nesoi	6.2
8523	Prepared unrecorded media for sound recording or similar recording of other phenomena, other than products of chapter 37.	4.3

Telephones

Movistar (or Telefonica del Peru) is the main provider of fixed-line telephone services in Peru. In 2012, it controlled about 92%. According to the National Household Survey (Encuesta Nacional de Hogares, "ENAHO"), during the third quarter of 2012, 30.5% of all homes had a fixed-line telephone. This service was more frequent in Lima (58%) than in the rural areas of the country (2%). These numbers are much lower than those in mobile telephone. Due to better accessibility not only in urban but also rural and remote areas, the usage of mobile telephones has increased considerably in the last 4-5 years. The latest statistics show that in the third quarter of 2011 the ENAHO reported that 81.2% of households had at least one person who owned a mobile phone; an increase of 6 percentage points from the previous year.

This positive trend in mobile telephone growth is expected to continue as newer technology is introduced. The recent introduction of mobile banking might also contribute to the further development of the mobile telephone sub-sector. Thus far, four 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 reported to 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 Telecommunications Investment Fund (FITEL) announced a portfolio of projects with an investment value of more than US\$140 million for the next three years. One of the most recent projects was to bring telecommunications services to 300 thousand people in the VRAE area (Valle de los Rios Apurimac y Ene) and Camisea.

As of December 2012, ProInversión had in its short-term portfolio two tenders: one for the 1710 – 1770 MHz and 2110 – 2170 MHz bands; and another for the 899 – 915 MHz and 944 – 960 MHz bands in Lima and Callao, 902 – 915 MHz and 947 – 960 MHz in the rest of the country. The investment value has yet to be defined. In its medium-term portfolio, there is a project focused on broadband access and the provision of fiber optics in rural areas and areas of interest: Universal Coverage in the South, North, and Center. Tenders and investment amounts for this project have yet to be announced. Also, the project Fiber Optics for the Andes, which expects to build a new network of 1,800km of cable connectivity, will provide fast internet access to more than 2.4 million people in 13 cities in the mountain and jungle areas of the country.

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.

ENAH0 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.

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In the past three 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.

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. equipment, however, is still important in the market due to its reliability and good 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 Transport and Communications: <http://www.mtc.gob.pe/>

Movistar – BAS Project:

http://www.telefonica.com.pe/rc/acceso_iniciativas_proyecto.html/

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

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

Supervising Agency for Private Investment in Telecommunications – OSIPTEL:
<http://www.osiptel.gob.pe/>

Telecommunications Investment Fund – FITEL: <http://www.fitel.gob.pe/>

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/>

Supervising Agency for Private Investment in Telecommunications – OSIPTEL:
<http://www.osiptel.gob.pe/>

Alterna Peru: <http://www.alternaperu.com/>

Pumps, Valves, and Compressors

Overview

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Unit: US\$thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	571,523	633,443	671,450	705,022
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	18,675	19,343	20,504	21,529
Total Imports	590,198	652,786	691,953	726,551
Imports from the U.S.	192,124	219,383	232,546	244,173
Exchange Rate: US\$1	2.75	2.55	2.51	2.49

(Statistics are unofficial estimates)

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

Data Source: Global Trade Atlas

2012 Import Market Share (percent for U.S. and major competitors): U.S. 33.6%; China 11.7%; Italy 6.8%; Argentina 6.4%; Germany 5.8%; Brazil 5.7%.

The U.S. has been Peru's main trading partner in the supply of pumps, valves and compressors. Growth in this field is closely related to the growth of other industries such as mining, construction, oil and gas, manufacturing, etc., and its continued development depends on the implementation of new projects in the aforementioned sectors.

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The figures below represent each product's share of Peru's total imports from the U.S. in this sector in 2012.

HTS Code	Description	%
841381	Pumps for liquids	9.3
841391	Parts of pumps for liquids	9.0
841370	Other centrifugal pumps	7.2
8414809000	Air or vacuum pumps	6.7
841440	Other air compressors	5.4
841490	Air/gas pump, compressor and fans	5.3
8481809000	Other appliances for pipes, boiler shells, tanks	4.8

Opportunities

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During 2012 Peru's economy grew by 6.3%, surpassing expectations. GDP estimations for 2013-2014 are between 5.5% and 6.3% for both years. This growth is expected to be driven mainly by internal consumption.

Sectors such as mining and oil and gas are expected to remain stable and grow, as new projects will begin to operate in 2013. This will contribute to the increase in demand of capital goods.

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

Ministry of Energy and Mines: <http://www.minem.gob.pe/>

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

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

Peru's Central Reserve Bank: <http://www.bcrp.gob.pe/>

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

Oil and Gas Field Machinery

Overview

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Unit: US\$thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	783,082	801,093	849,158	891,616
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	64,652	66,139	70,107	73,613
Total Imports	847,734	867,232	919,266	965,229
Imports from the U.S.	194,879	226,347	239,928	251,924
Exchange Rate: US\$1	2.75	2.55	2.51	2.49

(Statistics are unofficial estimates)

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

Data Source: Global Trade Atlas

2012 Import Market Share (percent for U.S. and major competitors): U.S. 26.1%; China 17.6%; Sweden 7.5%; India 4.7%; Chile 3.9%; Germany 3.9%; Italy 3.7%.

Peru has abundant hydrocarbon wealth (oil and gas) in diverse areas of its territory, but mainly on the continental shelf and in the Amazon Basin. The availability of these resources allows for the development of petrochemical activities in Peru. The hydrocarbon industry is an important industry due to the diversity of products that may be obtained from methane and ethane, which are the base of several production chains. As of December 31, 2012, Peru had 80 standing hydrocarbons contracts: 60 for exploration and 20 for production, covering an area of over 35 million hectares. During 2012, liquid hydrocarbons production averaged 66.7 thousand barrels per day. Additionally, liquids from natural gas averaged 86.3 thousand barrels per day. Natural gas production totaled 419 billion cubic feet in 2012.

Natural gas production has increased at a sustained pace during the last 11 years, reaching 1.1 billion cubic feet per day in 2012. The factors that are the driving forces for this growth are the increase in the demand of power generation plants and an increased consumption of domestic and commercial vehicular natural gas (GNV). According to ProInversión, the private investment promotion agency, Peru has over 43 quintillion cubic feet of gas in the river basins within its territory. Camisea is the main natural gas deposit, and is currently undergoing exploration and production.

Peru's geographical location gives it an advantage for supplying countries of the Pacific coast, particularly the United States, Mexico and Central America, as well as countries in the Asia-Pacific region.

Sub-Sector Best Prospects

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The figures below represent each product's share of Peru's total imports from the U.S. in this sector in 2012.

HTS Code	Description	%
843149	Other machinery of heading 8426, of mobile lifting frames, straddle carriers and works trucks fitted with a crane and others	20.2
84314390	Other boring or sinking machinery	10.1
7307	Tube or pipe fittings of iron or steel	8.6
391721	Tubes, pipes and hoses of polymers of ethylene	8.2
843049	Other offshore oil and natural gas drilling and production platforms	5.2

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

- Energy Security and Southern Gas Pipeline (estimated US\$2.4 billion).
- Liquid Petroleum Gas Supply System for Lima and Callao (est. US\$260 million).
- Nationwide Massive Use of Natural Gas (est. US\$205 million).
- LNG Supply System for the Domestic market (est. US\$250 million).

These are in addition to private companies' activity 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/>

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

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

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

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

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

Computers and Peripherals

Overview

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Unit: US\$thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	650,163	738,103	782,389	821,508
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	5,508	8,824	9,353	9,820
Total Imports	655,671	746,927	791,742	831,329
Imports from the U.S.	30,208	39,577	41,951	44,048
Exchange Rate: US\$1	2.75	2.55	2.51	2.49

(Statistics are unofficial estimates)

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

Data Source: Global Trade Atlas

2012 Import Market Share (percent for U.S. and major competitors): China 70.0%; Mexico 17.0%; U.S. 5.3%; Ireland 4.4%; Thailand 1.4%.

Computer electronics is a market with great potential, and unlike the American market which is reported to be at 95% saturation, Peru has yet to find its ceiling. Dynamics within the sector are constantly changing, driven by consumer demand for the most innovative next generation technology.

According to the Chamber of Commerce of Lima, the technology, informatics, and communications market sold close to US\$6.5 billion in 2012, growing 11.9% over 2011. Forecasts show that this market will develop at an average rate of 7% in the next three years.

In spite of developments in the technology industry, personal computer ownership remained low throughout the country. According to ENAHO (the National Household Survey), in 2012 only 30% of the households in Peru reported having a computer, up from 25% in 2011. However, in Metropolitan Lima 50% of homes have at least one computer. This number rose 7.3% from 2011.

Much of the population (48.2%) still uses the internet through public access centers called *cabinas publicas*, down from 54% last year. Today, 42.2% of Peruvian internet users have access at home and 15.2% at work. It is important to highlight that internet access in the home has increased by 4.9%, which is favorable to the computer electronics sector, as this is closely tied to computer ownership.

The computer electronics sector has also seen governmental support in Peru. The “One Laptop per Child” project distributed over 710,000 laptops in 2011 in an effort to provide Information and Communications Technology (ICT) education to children at public schools. Yet the project has seen difficulties because access to reliable internet services is limited in many areas. Peru’s gap in telecommunications infrastructure creates clear difficulties for this market as well as economic and educational development within the

country. To address this situation, the Peruvian government is launching a very large scale project to build a nationwide fiber optic highway which will bring reliable broadband access to many areas of the country currently without this service. For more information see the links below and the telecommunications section of this chapter.

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The figures below represent each product's share of Peru's total imports from the U.S. in this sector for 2012.

HTS Code	Description	%
8471500000	Processing units other than those of subheading 8471.41 or 8471.49, whether or not containing in the same housing storage units, input units, or output units with cathode-ray tube (CRT)	50.6
8471700000	Storage Units	13.6
8471490000	Other automatic data processing machines entered in the form of systems	13.2
8471300000	Portable digital auto data process machines weighing ≤ 10 kg	8.1
8471800000	Other units of automatic data processing machines	6.9
847160	Input Or Output Units, Storage Or Not	3.1

Connectivity and convenience are important with new electronics. Smartphones and tablets dominated the market last year. Some experts claim that tablets will replace netbooks and laptops because of their size and utility. Smartphones have captured the market of digital cameras and personal music players.

The market for smartphones, tablets, and computers has seen significant growth during the first half of the year. According to national consultants, 4.1 million units were imported in the area of mobile telephones, 28% of which were smartphones (1,163,784). This doubled sales in the same season of 2011 (484,751).

In the tablet market 57,800 units were sold as of June 2012, representing a growth of 334% compared to the same time period last year. Sales of Apple tablets in Peru also experienced significant growth. In 2011 the Samsung Galaxy Tablet owned 60% of the market. In 2012 Apple became the top tablet seller with 13,589 units compared to 13,202 from Samsung.

As for laptops, Toshiba replaced Hewlett Packard (HP) as the top seller, and ultrabooks failed to meet expectations by occupying only 1% of the overall PC sales.

Opportunities

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Movistar indicated that Peru is the third largest consumer of technology equipment in South America. While the use of desktop computers is decreasing, sales of portable technology is developing steadily.

School and Christmas seasons are the periods with highest sales of electronic products, in particular notebooks. Computer sales during the back-to-school season represented 30% of all the computer sales in 2010. Some analysts forecast that about 70 thousand computers will be sold during this year's season.

Mobility, accessibility, and social networking are also changing how technology is currently consumed. Experts indicate that 2011 marked the beginning of third generation technology use by introducing computing systems such as cloud computing or "the cloud". Yet these systems are not expected to achieve great popularity within the next few years.

Expo Tic – I International Technology, Informatics, and Communications Fair
20-23 June, Lima
<http://www.expotic.com.pe/>

Web Resources

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El Comercio: <http://elcomercio.pe/economia/1469010/noticia-ventas-smartphones-tabletas-se-duplicaron-primer-semester-2012/>

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

National Institute of Statistics and Informatics - INEI: <http://www.inei.gob.pe/>
INEI 2012 Information TIC: <http://www.inei.gob.pe/web/Boletin/Attach/15731.pdf>

One Laptop Per Child Project: <http://www.perueduca.edu.pe/>

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

ProInversión/ Fiber Optic Highway:
<http://www.proinversion.gob.pe/0/0/modulos/JER/PlantillaFichaHijo.aspx?ARE=1&PFL=0&JER=5708>

TIC Para Todos: <http://www.ticparatodos.pe/>

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Market Size	1,960	1,970	1,990
Total Local Production	200	220	230
Total Exports	0	0	0
Total Imports	1,760	1,750	1760
Total Imports from U.S.	750	1,000	165

Comments: Peru produces about 230,000 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 2012 was unusually low due to strong competition from other sources. 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>2010</u>	<u>2011</u>	<u>2012</u>
Total Market Size	100	110	91
Total Local Production	30	35	38
Total Exports	1	1	1
Total Imports	70	75	53
Total Imports from U.S.	70	75	53

Comments: Peruvian textile and apparel exports to the United States are expected to continue recovering from the international crisis. Exports are expected to reach US\$1.5 billion in 2013. The FTA grants duty free access to Peruvian textiles.

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Market Size	3,050	3,174	3,064
Total Local Production	1,230	1,235	1,324
Total Exports	0	0	0
Total Imports	1,820	1,939	1,740
Total Imports from U.S.	749	66	1

Comments: Peru imports corn from Argentina and the United States. In 2011, U.S. corn exports to Peru lost the trade preference granted under the U.S. Peru Trade Preference Agreement (PTPA), when Peru unilaterally eliminated import duties for corn from all origins. Under the PTPA, U.S. corn enjoyed a 9 percent tariff advantage. Consumption of yellow corn in Peru is mainly for poultry production. At about 35 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>2010</u>	<u>2011</u>	<u>2012</u>
Total Market Size	945	990	1,045
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	945	990	1,045
Total Imports from U.S.	250	80	107

Comments: Peru imports soybean meal primarily for poultry feed. Bolivia was the leading soybean meal exporter to Peru in CY 2012 with a 53% market share. Soybean meal from all origins enters Peru duty free.

Dairy Products

Whey (MT)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Market Size	7,234	7,142	10,580
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	7,234	6,004	8,566
Total Imports from U.S.	2,019	1,010	2,013

Comments: Total whey imports into Peru increased 44% in 2012, mainly due to increased production in the processing industry. Imports from the U.S. increased 150% compared to 2011 due to better prices. This narrows Chile's lead over the U.S. for whey imports into Peru. Chile is currently the major supplier, with 24% of market share while the United States is second with 23%.

Cheese (MT)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Market Size	19,797	24,531	30,446
Total Local Production	17,400	21,322	26,790
Total Exports	34	24	38
Total Imports	2,431	3,233	3,694
Total Imports from U.S.	1,181	1,922	2,130

Comments: In 2012, Peru's cheese imports reached almost 3,700 MT. Imports from the United States account for 58% of the market. Argentina and New Zealand account for respectively 19% and 5% of Peru's cheese imports. The food processing and food service industries are two main destinations for cheese imports. The PTPA provides a tariff rate quota of 2,500 MT with a 12% increase per year.

Beef and Offal (MT)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Market Size	262,081	271,493	278,767
Total Local Production	241,985	252,841	259,785
Total Exports	22	62	75
Total Imports	19,459	18,842	19,057
Total Imports from U.S.	4,745	5,459	5,892

Comments: It is estimated that in 2012 beef and offal imports may reach 19,057 MT, 2% more than the previous year, due to increased exports from neighboring countries. U.S. exports are estimated to grow to 5,892 MT, around 8% more than 2011. The U.S. Meat Export Federation has established a representative in Lima who has been actively involved in promotional activities in the region.

Pet Food (MT)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Market Size	41,020	40,672	50,572
Total Local Production	34,080	36,780	41,250
Total Exports	5,050	4,938	5,371
Total Imports	11,990	12,350	14,693
Total Imports from U.S.	2,040	2,160	2,972

Comments: Due to a shift from farm houses to smaller homes closer to the city, many Peruvians have replaced their traditional backyard livestock with pets, thus leading to growth in the pet food sector in the recent past. Sales have grown in 2012 due to a new competitor, Molitalia, who recently entered this competitive market. Currently, nine companies share the market and sales have grown 12% since 2011. In 2012, Colombia, Argentina, and the United States were major exporters to Peru with 39%, 30%, and 20% of the market share respectively.

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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 some basic agricultural commodities, with rice, corn, sugar and dairy products still subject to potential surcharges. The government argued that the surcharges were necessary to offset subsidies by exporting countries. The surcharges are calculated on a weekly basis, according to prevailing international prices for each commodity. The government began reducing the surcharges in increments in April 1994, and in July 2001 this system was replaced by a "price band system" similar to that of the Andean Community. Under the PTPA, however, US 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 exporters other than the US. This gives US agricultural exports a clear advantage over international competitors on the Peruvian market.

The Peruvian tax collecting agency, Superintendencia Nacional de Administracion Tributaria (SUNAT), has implemented new systems of collecting taxes (VAT and income) in advance as a means to assure tax collection throughout the distribution

channel and to increase revenues. The system may work for 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 Unique Customs Declaration (DUA), 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 the Food and Environmental Health Bureau DIGESA, <http://www.digesa.sld.pe/>) or a Sanitary Certificate for animal, plants, or their by-products (issued by the Ministry of Agriculture's National SPS Service SENASA, <http://www.senasa.gob.pe/>).

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 upon the importer's schedule. This can be done for the whole 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, if any, before shipping products to Peru.

For food and beverages, the importer needs to submit a sworn application to DIGESA (available at <http://www.digesa.sld.pe/>), 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 exports, a Unique Customs Declaration (DUA), 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 Resolución 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 of 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 is in charge of issuing the sanitary registration numbers for food products (DIGESA). The Consumer Protection Office within Peru's Consumer Defense Institute, 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 observations, ingredients, and net content of the product (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 detailed 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 - detailing the procedures and requirements for implementing mandatory labeling for genetically modified (GM) products stated in the Code. This regulation is undergoing a comment period after which a final version will be published and approved.

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. Packages manufactured from previously used recycled paper, cardboard, or plastic are forbidden.

Inputs 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 within the list of additives permitted by the Codex

Alimentarius is forbidden. Flavorings accepted by the United States Food and Drug Administration (FDA) and the Flavor and Extractive Manufacturing Association (FEMA) are allowed.

Prohibited and Restricted Imports

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Very few items have been prohibited from importation in recent years. The importation of used clothing and shoes is prohibited, although imports of donated used clothing and shoes are exempt from the prohibition. However, donations provided to the private sector must obtain an authorization from the “Agencia Peruana de Cooperación Internacional”, APCI (www.apci.gob.pe) before the donation arrives to Peru while donations to the public sector will require an authorization from the Peruvian Council of Ministers. Other products that are prohibited for import are some insecticides and fireworks. Toxic waste is also restricted. Imports of used cars more than five years old and used buses and trucks more than two years old are prohibited, as are used tires. Imports of live animals from the United States are banned due to concerns regarding BSE disease. Imports of remanufactured goods are permitted under the U.S.-Peru Trade Promotion Agreement. See www.export.gov for a list of market access provisions under the agreement.

Customs Regulations and Contact Information

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The Peruvian Customs Authority has been reformed and modernized over recent years, with help from the World Bank and the UN Development Program. As a result, Customs procedures are almost completely automated. Collections have more than tripled since 1991, despite dramatically lower tariff rates.

Imports with an FOB value over 3 UIT (taxable reference unit, Unidad Impositiva Tributaria) pay a fee of 2.35% of one UIT for valuation service. For 2013 one UIT is 3,700 Nuevos Soles (approx. US\$1,420). In practice, Customs is applying a US\$34 flat valuation fee. Items imported under the U.S.-Peru Trade Promotion Act – PTPA, are exempted of this fee.

Despite having signed the WTO customs valuation, Peruvian customs uses a referential price verification system (Sistema de Verificación de Precios, SIVEP). Customs checks the prices of the Unique Customs Declaration (DUA, see “Import Requirements and Documentation” earlier in this chapter) that go through a documentary or physical inspection, comparing them to those in SIVEP database. If prices in SIVEP are higher, Customs notifies the importer to support the price or to deposit a cash guarantee to clear the goods. This system has prompted several complaints from local importers that Customs is assigning values above the real ones. One U.S. exporter has complained that Customs does not accept their invoices but values 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/>

Ms. Tania Quispe Mansilla – National Superintendent

Mr. Enrique Vejarano Velasquez – National Deputy Superintendent of Internal Taxes

Mr. Rafael Garcia Melgar – National Deputy Superintendent of Customs

Standards

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Overview

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(INDECOPI) The National Institute for the defense of Competition and the Protection of Intellectual Property, <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 norms.
- Qualify the public or private institutions that will provide conformity assessments.
- Defend 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 different 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

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Member countries of the WTO are required under the TBT Agreement to report to the WTO all proposed technical regulations that could affect trade with other Member countries. "Notify U.S." (<http://www.nist.gov/notifyus/>) 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.

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 if suppliers receive in advance all information regarding the products' composition and components. The Peruvian standards body (CTR) works according to a regulatory framework similar to that of the U.S. It is common to have seminars sponsored by ANSI, ASTM, NEMA and others to encourage greater conformity with global norms.

Accreditation

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There are accreditation bodies for different industries.

<http://www.digesa.minsa.gob.pe/>

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

<http://www.digesa.minsa.gob.pe/formularios/LabDeEnsayo.pdf/>

Publication of Technical Regulations

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The office responsible for publishing 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 to facilitate trade labeling and marking referred to as 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:

Nicole DeSilvis, Commercial Attaché (until October 5, 2013)

and

Ricardo J. Peláez, Commercial Counselor (thereafter)

Gustavo Romero, Commercial Specialist

Phone: (511) 618-2671, 434-3040, fax 434-3041.

Trade Agreements

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Peruvians and Americans benefit from the U.S.-Peru Trade Promotion Agreement (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.

Peru is currently the 32nd largest export market for U.S. goods. U.S. exports to Peru amounted to US\$9.4 billion in 2012.

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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, attended global business conferences and toured several countries including the United States, in an effort to attract foreign investment. Peruvians and Americans benefit from the U.S.-Peru Trade Promotion Agreement (PTPA) which entered into force on February 1, 2009. The PTPA establishes a secure and predictable legal framework for U.S. investors operating in Peru and 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 guarantees 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. Article 6 of Supreme Decree No. 162-92 EF authorizes private investors to carry out any economic activity, provided investors comply with all constitutional precepts, laws and treaties. However, a few exceptions exist. For example, the law excludes investment activities in natural protected areas and the manufacturing of war weapons, pursuant to Article 6 of Legislative Decree No. 757. Some laws require that Peruvians own a majority share in companies operating in certain sectors such as 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, at times 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 approved by the Cabinet and the Joint Command of the Armed Forces.

In addition to the 1993 Constitution, major laws regarding foreign direct investment (FDI) include 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.

The Peruvian government modified its laws to encourage more foreign investment through two important decrees in 2008. The first decree contains the regulations for the Law on Public-Private Partnerships (PPPs). The second decree presents a priority list of projects for PPPs, which is updated regularly and is available on ProInversión's Project Portfolio page, available at: www.proinversion.gob.pe.

Although Peru's Constitution guarantees economic freedom under Article 63, the Peruvian government has occasionally passed measures that contravene free market principles. The Garcia Administration in 2011 stopped a Canadian silver mining project in Puno in response to violent protests opposing the project; the Canadian company is appealing the Government's project cancellation under the terms of the Canada-Peru Free Trade Agreement. Furthermore, in December 2011 President Ollanta Humala signed into law a 10-year moratorium on the entry of genetically-modified organisms (GMOs) to be used for cultivation. Peru has also implemented two sets of rules for importing pesticides, one for "regular" importers which 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.

The Peruvian government created the Private Investment Promotion Agency, ProInversión, in 2002. ProInversión has successfully completed both privatizations and concessions of state-owned enterprises and natural resource-based industries. Major recent concession areas include ports, electrical transmission lines, oil and gas distribution, and telecommunications.

The Government of Peru has undertaken a decentralization of government responsibilities. The Basic Law for Decentralization (DL 27783 issued in 2002), the Organic Law on Regional Governments (DL 27867), and the Organic Law of Municipalities (DL 27972) facilitate and promote direct private investment with regional and local governments. The Framework Law for the Promotion of Decentralized Investment (Law No. 28059 and its regulations in Supreme Decree No. 015-2004-PCM), establishes the regulatory framework so that Peru may promote decentralized investment at its three government levels (national, regional and local). The Peruvian Government provides a link to these laws, the 1993 Constitution, and a Basic Rights of Foreign Investors list on the ProInversión website, www.proinversion.gob.pe.

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 seven places in the World Bank's business start-up ranking from 53 in 2012 to 60 in 2013. At the same time, Peru lowered the average amount of time it takes to start a business from 41 days (in 2010) to 27 days (in 2011) to 26 days (in 2012 and 2013). Additionally, the 2013 report notes Peru has strengthened 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.

Below is a chart indicating Peru's rankings in international studies.

Transparency International, <i>Corruption Perceptions Index 2012</i>	83/174
World Economic Forum, <i>Global Competitiveness Report 2012-2013</i>	61/144
World Economic Forum, <i>Global Enabling Trade Report 2012</i>	53/132
World Bank, <i>Doing Business 2013</i>	43/185

Peru reached upper-middle income country status in 2009, and is now officially ineligible for Millennium Challenge Corporation assistance.

Conversion and Transfer Policies

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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 ProInversión 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. Plans are under development to make Peru a more attractive market for foreign portfolio management companies to manage Peruvian pension funds.

The 1993 Constitution guarantees free convertibility of currency. However, there are legal limits on the amount that private pension fund managers (AFPs) can invest in foreign securities. Over the years, the BCR has gradually increased the operating limit, which reached 34% in February 2013. Although Congress increased the maximum limit to 50% in July 2011, the BCR has only recently increased its operating limit to 34%. 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, and 2.7% in 2012.

The Peruvian government has also implemented policies to “de-dollarize” the economy, but in the last few years the market has been 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 Superintendency (SBS). In 2001, U.S. dollars accounted for 82% of loans and 73% of deposits. On October 31, 2012, U.S. dollars accounted for 51% of loans and 42% 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 spot 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, distorting international trade. 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. Any expropriation requires the Peruvian 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, the Peruvian 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.

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 conclude 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 the Pontificia Universidad

Catolica de Peru—operate private arbitration centers. The quality of such centers varies, however, and investors should choose arbitration venues carefully.

Dispute settlement generally remains problematic in Peru, although in 2004 the Peruvian Government began taking steps to improve the dispute settlement process by establishing commercial courts to rule on 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, these courts have reduced the amount of time to resolve a case to just two months. The appeals level resolves most of these cases.

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.

Court rulings and the degree of enforcement have been difficult to predict. The competence of individual judge capabilities 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 leads 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 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 National Institute for the Defense of Free Competition and the Protection of Intellectual Property) 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 made 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 drawback), 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 US\$10 million in the mining and hydrocarbons sectors or US\$5 million in other sectors within two years. An agreement to acquire more than 50% of a company's shares in the privatization process may also qualify an investor for a juridical stability agreement, provided that the infusion 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, substantially reducing benefits to investors in that sector. Among the changes were reductions in the term concessionaires are granted to achieve the minimum annual production, an increase in fees for holding non-productive concessions, an increase in fines for not achieving minimum production within the allotted time, a reduction 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 shares of mining profits from their areas, the then-President Alan Garcia's 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 a more restrictive mining law. The agreement allowed mining companies to control where their contributions were invested and did not apply if the prices of metals or minerals dropped below certain levels. As the voluntary contribution agreement was to expire at the end of 2011 during a period of extraordinary profits for extractive industries, the Humala Administration and mining companies agreed in August 2011 to replace it with a new tax scheme. While the new tax scheme was initially expected to generate about US\$1.1 billion annually, declining metals prices suggest that the contribution in 2012 may only have reached around US\$755 million.

Private parties may freely negotiate contractual conditions related to licensing arrangements and other aspects of technology transfer without prior governmental authorization. A registry of a technology transfer agreement with INDECOPI is required for a royalties payment 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, Decreto Legislativo 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 US\$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 visas, residence, or work permit requirements that inhibit foreign investors' mobility, the application and approval process can be 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 investment in immovable property. 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 ProInversión 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.

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 regulations 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 Superintendency (SMV) maintains the company registry and supervises the securities market. ProInversión handles privatization and investment issues. INDECOPI handles competition policy and intellectual property matters. The Superintendency 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 – OSIPTEL for telecom, and OSINERGMIN for energy, mining, and hydrocarbons.

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

competitive environment for the smaller carriers. While a company may be pleased that its final rate will be more competitive with the other carriers than before, concerns remain that the planned 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. firms and investors have complained about the reinterpretation of rules and the imposition of disproportionate fines by the Peruvian tax agency, SUNAT. U.S. firms and other investors allege SUNAT's aggressive behavior and reinterpretation of tax law are often contrary to the spirit of the law and intent of government policies, complicating normal business operations. The remuneration of SUNAT employees is partially determined by the theoretical tax liability they uncover in audits. The U.S. Embassy continues to hear that this incentive leads to overzealous tax collection practices.

Some businesses point out that SUNAT's retroactive reinterpretation of regulations and laws, levying of disproportionate fines, usurious interest rates on the alleged assessments, 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 US\$1,345, only to face SUNAT fines of US\$645,000. Although the case was resolved, new legislation was needed to correct the problem. An independent tax tribunal 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 a long-standing tax case against SUNAT as a result of these improvements. Nevertheless, the U.S. Embassy has heard reports of companies deciding to pay long-disputed assessments in order to eliminate continually-increasing potential liabilities from their books.

Businesses also have complained about the 18% value added tax on goods (which is partially reimbursable for businesses), high social security tax rates, and certain labor laws. Businesses state these tax and labor policies increase investment and production costs and hinder investment capital flows.

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 to be competitive in offering services to business customers. Private pension funds have competed in recent years with financial companies for bonds issued locally by companies and the Peruvian government. These entities compete because the supply of 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. 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. By October 2012, private pension funds managed a total of US\$35.7 billion.

The Securities Market Superintendency (SMV) is the Peruvian government entity charged with regulating the securities and commodities markets. Following the IMF's recommendations, then-President Garcia signed a bill into law on July 27, 2011, as one of his final Presidential acts, for SMV to replace its predecessor, CONASEV (the National Commission for the Supervision of Companies, Securities and Exchanges). SMV's mandate includes controlling the securities market's 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, seeks to prevent monopolies, and aims to prevent fraud. Trading on insider information is technically a crime, although there have been few cases prosecuted in past years. One case at the end of 2010 involved three ESSALUD employees, a stock brokerage firm and an employee of the stockbrokerage firm. CONASEV fined these individuals and the stockbrokerage 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 from the 1997-1998 Asian Crisis, and is progressively revamping operations, increasing capitalization, and reducing costs. Under the SBS's conservative criteria, 2.3% of total loans were assessed as non-performing as of October 2012, down from a high of 11% in early 2001. Able bank supervision and strong GDP growth over the last decade through 2012 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, although three banks account for 73% of loans and deposits among traditional banks. Of US\$84.9 billion in total banking assets at the end of October 2012, assets of the three largest commercial banks amounted to US\$62.1 billion. As of November 2012, foreigners had significant shares in 13 banks, of which they were majority owners of 11 (including two of the country's largest), and operator of one large commercial bank.

Peru's financial system has 11 specialized institutions ("financieras"), 32 thriving micro-lenders and savings banks (although several large banks also lend to micro-enterprises), two leasing institutions, two state-owned banks, and two state-owned development banks. In 2012, the Economist Intelligence Unit again ranked Peru number one worldwide for microfinance for the fifth consecutive year because of its sophisticated legal and regulatory framework and competitive microfinance sector. Nevertheless, Peru also has its financial regulatory challenges.

Peruvian law and regulations do not authorize or encourage private firms to adopt articles of incorporation or association that 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.

Competition from State Owned Enterprises

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The Peruvian government initiated an extensive 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 into major projects including the following:

- 2000: 30-year concession to Lima Airport Partners; operate Lima Airport
- 2006: 30-year concession to Dubai-Ports World; build and operate new terminal at the Port of Callao (The terminal's first phase became operational in May 2010.)
- 2006: 25-year concession to Swissport; manage nine of Peru's northern airports
- 2011: 25-year concession to Aeropuertos Andinos; manage six southern airports
- 2011: 30-year concession to A.P. Moller-Maersk Group; operate and modernize 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, land transport, trains, and tourism projects.

Several electricity, water, sewage, banking, and oil companies remain state-owned and state-operated. The most notable area of state-owned/operated activity pertains to the petroleum sector, especially Peru's state-owned petroleum company PetroPeru. Congress passed three laws in 2004, 2006 and 2007 that allowed PetroPeru to enter into all stages of the petroleum and petrochemical sectors. 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. With changing leadership over the last decade, PetroPeru has experienced significant attrition of its expertise. Its limited financial resources and lack of expertise make it uncertain if it soon can expand and upgrade its aging Talara refinery. Limited resources and expertise also limit expectations following repeated announcements from its leadership regarding upstream expansion, and participation in a proposed gas pipeline and petrochemical complex in southern Peru. One of PetroPeru's leadership plans is to return to oil production by participating in the public tenders of eight oil producing blocks which the government will auction in 2013. The winners will be required to partner with PetroPeru.

Corporate Social Responsibility

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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 notion of environmental impact assessments being reviewed by the Ministry of Energy and Mines, rather than the Ministry of Environment (MINAM). In fact, MINAM, along with other national agencies, does 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 protests, bringing in protestors from outside the local community to foment protests against the companies. In several 2012 incidents, local authorities led strikes against large foreign mining companies in an effort to secure additional funds or development promises from the companies or domestic political advantage.

During the last few years, groups blocked roads in protest of extractive industry operations, hydroelectric projects, and restrictions on informal gold mining, gas exports, and the Government's coca eradication policies. In several of these protests, police and civilians were killed. Although there are still more than 200 listed conflicts or controversies in Peru, the government has reported a decline in the number of conflicts during the last half of 2012, from a June high of 247 registered conflicts or controversies. 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 foreign investments, as occurred in the US\$4.8 billion Conga mine project in Cajamarca in August 2012. In other cases, protests have stopped such investments entirely.

In August 2012, the Peruvian government restructured its conflict management office, and renamed it the National Office of Dialogue and Sustainability. 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 and health care services in areas with infrastructure projects, which will rapidly increase state presence and reduce potential for conflict in those frequently remote areas. Peru's Prior Consultation Law was signed in 2011 and implemented in April 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, many remain skeptical about whether the law will fulfill its purposes, or simply create further problems and delays.

Violence remains a concern in coca-growing regions. The Sendero Luminoso (SL, Shining Path) terrorist organization continues to operate in these areas, financing its activities with drug trafficking proceeds. SL killed at least 1 civilian, 13 members of the military and 5 police officers, and committed at least 87 acts of violence in coca-growing areas during 2012. On two occasions in 2012, SL kidnapped contractors of a natural gas pipeline, and attacked helicopters supporting the pipeline. The Humala government continues the longstanding practice of authorizing separate 60-day states of emergency in two areas where SL operates—the Apurimac, Ene, and Mantaro-River Valleys (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 SL. Information about insecure areas and recommended personal security practices can be found at <http://www.osac.gov/> or http://travel.state.gov/travel/cis_pa_tw/cis/cis_998.html

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/>

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 <http://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/.

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.

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 Controlaría General is the government agency responsible 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. Transparency International ranked Peru 83 (out of 174 countries) in its 2012 Corruption Perceptions Index, down from 80 (out of 183 countries) in 2011, and 78 (out of 178 countries) in 2010. 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). In 2008, a kickback scandal involving a member of the then-ruling party and a foreign oil company led to the replacement of then-President Garcia's prime minister and five other cabinet members. Dozens of sitting members of Congress currently are under investigation for corrupt practices.

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.

Organization for Economic Cooperation and Development (OECD): 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>). (Peru is not a party to this convention.) Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the signatory governments 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.

United Nations (UN): 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 is a party to the UN Anticorruption Convention.

Organization of American States (OAS): In 1996, the OAS Member States 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. Peru is one of the OAS Convention's 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>).

Council of Europe (CoE): Many European countries are parties to either the 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 2013, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see <http://www.coe.int/greco/>). Peru is party to neither.

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 trans-nationally) 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/>. The United States and Peru signed the United States-Peru Trade Promotion Agreement (PTPA) on April 12, 2006. The Peruvian Congress ratified the Agreement in June 2006 and a Protocol of Amendment in June 2007. On December 14, 2007, the United States-Peru Trade Promotion Agreement Implementation Act became law, and the PTPA entered 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 over 130 major U.S. and foreign cities, 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 encountered by U.S. companies in seeking such foreign business opportunities, (including alleged corruption by foreign governments or competitors), 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 http://tcc.export.gov/Report_a_Barrier/.

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/daf/anti-bribery/anti-briberyconvention/>. 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://www3.weforum.org/docs/GETR/2012/GlobalEnablingTrade_Report.pdf.
- 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 has bilateral investment agreements in force with Argentina, Bolivia, Canada, Chile, China, Colombia, Czech Republic, Denmark, Ecuador, El Salvador, Finland, Italy, Korea, the Netherlands, Norway, Paraguay, Portugal, Romania, Spain, Sweden, Switzerland, Thailand, the United Kingdom, and Venezuela.

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 through 2012, 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 US\$21 million. Peru is a member of the Multilateral Investment Guarantee Agency, an organization of the World Bank Group offering insurance for private investment in developing nations.

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 2.64 Nuevos Soles per dollar in 2012, after averaging 2.75 Nuevos Soles per dollar in 2011.

It is unlikely that the Peruvian government would either devalue or revalue the Nuevo Sol. The foreign exchange market mostly operates freely. However, the BCR intervenes in the foreign exchange market occasionally to prevent significant exchange rate variations—currently on an almost weekly basis. To many observers, this regime has succeeded in avoiding traumatic foreign exchange adjustments to the economy. From its December 31, 2012 exchange rate of 2.549, the Economist Intelligence Unit estimates the Nuevo Sol will depreciate slightly to 2.556 by the end of 2013.

Labor

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Labor is abundant and trainable, although there are shortages of highly skilled workers in some fields. Mining sector contacts praise the technical knowledge and professional dedication of Peruvian engineering graduates. However, there is a high percentage of informality as 70% of the 15.9 million-member labor force worked in the informal sector in 2010, according to a 2012 International Labor Organization (ILO) report.

The Peruvian government increased the statutory monthly minimum wage in May 2012, from 675 Nuevo Soles (approximately US\$255) to 750 Nuevo Soles (approximately US\$285) a month per person, although it varied widely 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 whom were 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. Professional workers in Peru are paid by the month, not by the year. Some workers, like miners, are highly paid and also (per statute) receive a share of company profits up to a maximum total annual amount of 18 times the base monthly salary, with the excess going to regional governments. 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. According to the MOL, 60 strikes took place in 2012. 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 the failure of unions to fulfill the legal requirements necessary to strike.

In January 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.

Four percent of the labor force was organized in 2011, with unionization higher in large companies (more than 500 workers) at 38 percent. Unemployment in Lima officially stood at 5.6% during the fourth quarter of 2012. A government survey showed that 38.9% of Lima's economically active population was underemployed in the same period (versus 37.8% in the same period of 2011), most of whom were self-employed in the informal sector for below subsistence income. 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 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 with pay 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. Labor leaders argue that these 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 National Work Council (Consejo Nacional del Trabajo) presented a draft bill of a General Labor Law to the Peruvian Congress in September 2011, and the then-Labor Minister was optimistic that it would be adopted. However, as of June 2013, Congressional debate on the bill continued. It is a comprehensive labor law reform which would unify the myriad labor regimes that exist in Peru. It would enable Peruvian workers to better understand their rights, and would provide investors with a clear set of rules for doing business in Peru. The Labor Ministry also plans to reform Peru's poorly managed labor inspection system so that inspectors help employers conform to the law rather than simply issue fines for infractions.

All labor in the 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 are not considered foreign employees 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 special trade zone (ZOFRATACNA) in Tacna where companies can import products at lower tax rates. 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 CETICOS is authorized in Loreto, but is not operational. There is a 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. Ministry of Transport and Communications has said it will ban the importation of right-hand drive vehicles in 2013, citing environmental and safety concerns.

The stock of foreign direct investment in Peru stood at US\$59.49 billion in September 2012, according to the BCR, versus US\$51.21 billion at the end of 2011. 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 in 2009 were mining (29%), services (24%), oil and gas (17%), manufacturing (10%), finance (13%), and energy (6%).

U.S. foreign direct investment in Peru amounted to US\$7.75 billion in 2011, a 21.8% increase from 2010, according to the U.S. Department of Commerce Bureau of Economic Analysis. Of that sum, US\$515 million was invested in manufacturing, and US\$421 million in wholesale trade. In its 2011 reporting, the U.S. Department of Commerce suppressed data on extractive industries in order to avoid disclosure of data of individual companies.

Major foreign direct investments include:

- 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.)
- Gold Fields Corona (South Africa)
- SN Power Peru (Norway)
- Compania Minera Latino-Americana (Chile)
- Semptra 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)
- Falabella Group (Chile)

Newmont Mining's US\$4.8 billion Conga gold mine project in Cajamarca and Xstrata's US\$4.2 billion Las Bambas copper mine project in Apurimac rank as Peru's largest

foreign direct investments to date. The multi-year Hunt Oil-led investment is part of a consortium that invested US\$3.8 billion to develop a natural gas liquefaction plant, maritime terminal, and pipeline in southern Peru.

Peru's direct investment abroad amounts to US\$1.29 billion, according to Peru's BCR. Peruvian investment in Chile, Brazil, the United States, and Bolivia comprised the vast majority of Peru's direct investment abroad. The Peruvian media did not miss a small yet symbolic US\$5.5 million investment in November 2011 when the Peruvian firm Inversiones La Macha, owned by Peruvian Chef Gastón Acurio, opened La Mar Cebicheria Peruana restaurant in New York, which billed itself as Peru's culinary embassy in New York. In addition to the United States and Peru, Chef Acurio's various chains of Peruvian and Peruvian fusion restaurants are located in Brazil, China, Colombia, Mexico, Panama, Spain, and Venezuela.

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ProInversión website: <http://www.proinversion.gob.pe/>

Institute for the Defense of Competition and Protection of Intellectual Property – INDECOP: <http://www.indecopi.gob.pe/>

Information about security: <http://www.osac.gov/> or <http://travel.state.gov/>

The FCPA Lay-Person's Guide: <http://www.justice.gov/criminal/fraud/>

U.S. Trade Representative - U.S. FTAs: <http://www.ustr.gov/trade-agreements/free-trade-agreements/>

The U.S. Foreign and Commercial Service: <http://www.trade.gov/cs/>

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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 Perú (<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/cc/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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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 a 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/visa/>

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

Telecommunications

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The telecommunications industry in Peru has been steadily modernized following the privatization of the national telephone company 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 more than 60% of the mobile market and 84% of the fixed line market. However, 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).

Broadband access through internet cafes is widely 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 17 international passenger airlines and six companies serving routes within Peru. Among the international companies are: Aerolineas Argentinas, Aeromexico, Air Canada, Air Europa, Air France, American Airlines, Avianca, Copa Airlines, Delta Air Lines, Iberia, KLM, LAN Airlines, Sky Airlines, Spirit Airlines, Taca, United, and TAM, providing passenger and cargo services through the Jorge Chavez International Airport run by Lima Airport Partners (LAP).

The U.S. companies offering non-stop flights between the U.S. and Peru include American Airlines with 14 weekly flights between Lima and Miami and the new daily Lima-Dallas flight that started operating on April 2, 2013; Delta Airlines providing daily flights from Lima to Atlanta; and United Airlines with daily flights to Newark and to Houston, both departing from Lima. Low-fare Spirit Airlines started operations in 2007 from Lima to Ft. Lauderdale, currently providing one flight on Sundays. In addition, TACA offers seven weekly flights to Miami while LAN Airlines services thirteen weekly non-stop flights from Lima to Miami, seven to New York, and eleven to Los Angeles and three to San Francisco. 95% of international flights arrive at Jorge Chavez International Airport in Lima. Most of these airline companies also provide cargo transportation services. The Ministry of Transport and Communications announced April 25 that the low-cost company JetBlue will start operations with daily flights from Fort Lauderdale to Lima starting on November 21, 2013. Domestic flights between Lima and larger cities in Peru are provided by LAN Peru, TACA, L.C. Peru, Star Peru, Peruvian Airlines, and ATSA (charter service). Cusco is the second busiest commercial airport within Peru with more than 20 daily flights from Lima.

Railways

The railway system in Peru is not well-developed and is quite limited to 1,737 kilometers formed by:

- Ferrocarril del Centro of 346 Km., was given in concession to Ferrovias Central Andina and is operated by Ferrocarril Central Andino (FCCA). FCCA offers cargo services of minerals from Huancayo to the port of Callao and seasonal passenger services.

- Ferrocarril Huancayo-Huancavelica of 128 Km. is run by the Ministry of Transport and Communications providing cargo and passenger services.

- Ferrocarril del Sur of 990 Km. was given in concession to Ferrocarril Transandino. Two companies operate in this railway: PeruRail, and Inca Rail. These companies provide passenger roundtrip services from Cusco or the Sacred Valle to Machu Picchu in Aguas Calientes. PeruRail also offers passenger services between Cusco and Puno.

- Ferrocarril Toquepala-Ilo of 213 Km. operated by the private mining company, Southern Peru Copper Corp. offers services from the copper mines of Toquepala and Cuajone to the port of Ilo.

- Ferrocarril Tacna-Arica of 60 Km. is run and operated by the Regional Government of Tacna providing cargo and passenger services.

Ground transportation

Public ground transportation is not recommended due to a high incidence of traffic accidents in Peru, frequently involving mini-buses (combis) and buses. Transportation to and from the airport by radio taxi or taxi service is approximately US\$25. Taxis are abundant and not metered, so fares must be negotiated before getting into the cab. Taxis are plentiful and provide an inexpensive way to get around Lima; 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 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

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: MITSU and CMV. These taxi services 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.

Language

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Business is conducted in Spanish. Although a great 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, 2013
Independence Day	July 28-29, 2013
Saint Rose of Lima	August 30, 2013
Battle of Angamos	October 8, 2013
All Saints' Day	November 1, 2013
Immaculate Conception	December 8, 2013
Christmas Day	December 25, 2013
New Year's Day	January 1, 2014
Holy Thursday	April 17, 2014
Good Friday	April 18, 2014
Labor Day	May 1, 2014

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

Independence Day	July 4, 2013
Labor Day	September 2, 2013
Columbus Day	October 14, 2013
Veterans Day	November 11, 2013
Thanksgiving	November 28, 2013
Martin Luther King Day	January 20, 2014
President's Day	February 17, 2014
Memorial Day	May 26, 2014

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/aduanas/version_ingles/index.html/

Web Resources

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U.S. Commercial Service Lima: <http://www.buyusa.gov/peru/>

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/travel/cis_pa_tw/cis/cis_998.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/visa/>

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

Peruvian Customs Information in English:
http://www.sunat.gob.pe/aduanas/version_ingles/

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Chapter 9: Contacts, Market Research and Trade Events

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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
Nicole DeSilvis, Commercial Attaché (until October 5, 2013)
Ricardo J. Peláez, Commercial Counselor (thereafter)
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 Rose Likins
David Schnier, Economic Counselor
Richard Merrin, Deputy Economic Counselor (until July 5, 2013)
Ernest Abisellan, Deputy Economic Counselor (thereafter)
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
Timothy Peltier, Peru Desk Officer
Tel.: (202) 647-4177
Website: www.state.gov

U.S. Department of Agriculture (U.S. Embassy Lima, Peru)
Unit 3785
APO AA 34031
Foreign Agricultural Service (FAS)
Tel.: (511) 618-2491, 434-3042 Fax: (511) 434-3043
Emiko Purdy, Regional Agricultural Counselor
Gaspar Nolte, Senior Agricultural Specialist
Alvaro Loza, Agricultural Marketing Specialist
Email: Aglima@fas.usda.gov
Websites: www.fas.usda.gov (FAS), www.usdaperu.org.pe (Post)

Animal and Plant Health Inspection Service (APHIS)
Tel.: (511) 434-4202 Fax: (511) 434-0958
George "Andy" Ball, Senior Attaché for Chile, Peru, Ecuador (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 (Washington, D.C.)
14th & Independence Avenue, S.W.
Washington, D.C. 20250
Hugh Maginnis, Western Hemisphere Area Director, Office of Foreign Service
Operations
Email: hugh.maginnis@fas.usda.gov
Tel.: (202) 720-3221 Fax: (202) 720-5183
Website: www.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
Tel.: (703) 875-4357 Fax: (703) 875-4009
Website: www.tda.gov
Gabrielle Mandel, Country Manager, Latin America and the Caribbean
Email: gmandel@ustda.gov

Government of Peru

Presidencia del Consejo de Ministros
(Presidency of the Council of Ministers)
Jr. Carabaya cdra 1, Lima
Lima – 1, Peru
Tel.: (511) 219-7000, 219-7012 Fax: (511) 219-7015
Website: www.pcm.gob.pe
Juan Jiménez Mayor, President of the Council of Ministers

Ministerio de Agricultura
(Ministry of Agriculture)
Av. La Universidad 200, La Molina
Lima 12, Peru
Tel.: (511) 613-5800 Fax: (511) 432-0990, 431-0109
Website: www.minag.gob.pe
Milton Von Hesse, Minister

Servicio Nacional de Sanidad Agraria (SENASA)
Ministerio de Agricultura
(Equivalent to APHIS. Supervises sanitary conditions of imported agricultural commodities and animals)
Av. La Molina 1915, La Molina
Lima – 12, Peru
Tel.: (511) 313-3300 / anexos 1800 ó 1801 Fax: (511) 313-3315
Website: www.senasa.gob.pe
Oscar Dominguez, National Chief

Ministerio de Comercio Exterior y Turismo
(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
José Luis Silva Martinot, Minister

Ministerio de Economía y Finanzas
(Ministry of Economy and Finance)
Jr. Junin 319, Piso 4
Lima 1, Peru
Tel.: (511) 311-5930 Fax: (511) 311-9906
Website: www.mef.gob.pe
Luis Miguel Castilla, Minister

Ministerio de Energía y Minas
(Ministry of Energy and Mines)
Av. Las Artes 260
San Borja
Lima 41, Peru
Tel.: (511) 411-1100 Fax: (511) 224-4441
Website: www.minem.gob.pe
Jorge Merino Tafur, Minister

Ministerio del Ambiente
(Ministry of the Environment)
Av. Javier Prado Oeste 1140, San Isidro
Lima 27, Peru
Tel.: (511) 611-6000
Fax: (511) 611-6000 Anx 1634
Website: www.minam.gob.pe
Manuel Pulgar-Vidal, Minister

Ministerio de la Producción
(Ministry of Production)
Calle Uno Oeste s/n, Piso 7
Urb. Corpac, San Isidro
Lima 27, Peru
Tel.: (511) 616-2222 Fax: (511) 616-2200 x705
Website: www.produce.gob.pe
Gladys Triveño Chan, Minister

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
Wilfredo Pedraza, Minister

Ministerio de Relaciones Exteriores
(Ministry of Foreign Affairs)
Palacio Torre Tagle, Ucayali 363
Lima 1, Peru
Tel.: (511) 623-2402 Fax: (511) 623-2410
Website: www.rree.gob.pe
Eda Rivas, Minister

Ministerio de Salud
(Ministry of Health)
Av. Salaverry Cdra. 8, Piso 4
Lima 1, Peru
Tel.: (511) 315-6649 Fax: (511) 431-0093
Website: www.minsa.gob.pe
Midori de Habich, Minister

Dirección General de Salud Ambiental (DIGESA)
Las Amapolas 350, Urb. San Eugenio, Lince
Lima 14, Peru
Tel.: (511) 442-8353 Fax: (511) 422-6404
Website: www.digesa.sld.pe
Monica Saavedra, Director

Ministerio de Transportes y Comunicaciones
(Ministry of Transport and Communications)
Calle Zorritos 1301
Lima 1, Peru
Tel.: (511) 615-7603 Fax: (511) 615-7578
Website: www.mtc.gob.pe
Carlos Paredes, Minister

Ministerio de Vivienda, Construcción y Saneamiento
(Ministry of Housing, Construction and Sanitation)
Av. Paseo de la Republica 3661, San Isidro
Lima – 27, Peru
Tel.: (511) 211-7930, 211-7934 Fax: (511) 441-7761
Website: www.vivienda.gob.pe
Rene Cornejo, Minister

ProInversión
(Private Investment Promotion Agency)
Av. Paseo de la Republica 3661, Piso 9
Lima – 27, Peru
Tel.: (511) 612-1200 Fax: (511) 221-2941, 221-2942
Website: www.proinversion.gob.pe/english
Javier Illescas, Executive Director

Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual (INDECOPÍ)
(National Institute for the Defense of Competition and Protection of Intellectual Property)
La Prosa 138, San Borja
Lima – 41, Peru
Tel.: (511) 224-7800 / (511) 224 7777
Fax: (511) 224-0347 / (511) 224 7800 ext. 1715, Atención al Ciudadano
Website: www.indecopi.gob.pe
Hebert Tassano, President

Dirección Mi Empresa - Dirección General de MYPE y Cooperativas del Ministerio de la Producción
Calle Uno Oeste 060, Urb. Corpac, San Isidro
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Cesar Quispe Lujan, Officer-in-Charge of “MYPE y Cooperativas”

Organismo Supervisor de la Inversión en Energía y Minería – OSINERGMIN
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Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público – OSITRAN
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Av. Republica de Panama 3659, San Isidro
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E-mail: info@ositran.gob.pe
Website: www.ositran.gob.pe
Patricia Benavente, President

Organismo Supervisor de la Inversión Privada en Telecomunicaciones – OSIPTTEL
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La Prosa 136 , San Borja
Lima – 41, Peru
Tel.: (511) 225-1313, 225-2145 Fax: (511) 475-1816
Website: www.osiptel.gob.pe
Gonzalo Ruiz, President

Superintendencia Nacional de Servicios de Saneamiento - SUNASS
(National Superintendence of Sanitation Services)
Av. Bernardo Monteagudo 210 – 216 Magdalena del Mar
Lima – 17, Peru
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Website: www.sunass.gob.pe
Fernando Momiy Hada, President

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American Chamber of Commerce of Peru (AmCham)
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Lima – 27, Peru
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E-mail: amcham@amcham.org.pe
Website: www.amcham.org.pe
Lieneke Schol, Chairman
Aldo Defilippi, Executive Director

Confederación Nacional de Instituciones Empresariales (CONFIEP)
(Confederation of Private Enterprise Institutions)
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Lima – 27, Peru
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E-mail: postmaster@confiep.org.pe
Website: www.confiep.org.pe
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Gabriel Amaro, General Manager

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(National Society of Industries)
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Lima – 27, Peru
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E-mail: sni@sni.org.pe
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Luis Salazar, President

Sociedad Nacional de Minería, Petróleo y Energía
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E-mail: postmaster@snmpe.org.pe
Website: www.snmpe.org.pe
Eva Arias, President
Caterina Podesta, General Manager

Asociación de Exportadores (ADEX)
(Exporters' Association)
Av. Javier Prado Este 2875 San Borja
Lima – 41, Peru
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Email: postmaster@adexperu.org.pe, cid@adexperu.org.pe
Website: www.adexperu.org.pe
Eduardo Amorrortu, President
Juan C. Leon Siles, General Manager (e)

Cámara de Comercio de Lima
(Lima Chamber of Commerce)
Gregorio Escobedo 398 Jesus Maria
Lima – 11, Peru
Tel.: (511) 463-3434, 261-4400 Fax: (511) 463-9864
E-mail: webmaster@camaralima.org.pe
Website: www.camaralima.org.pe
Samuel Gleiser, President
José Rosas Bernedo, General Manager

Cámara de Comercio de Arequipa
(Arequipa Chamber of Commerce)
Quesada 102-104, Yanahuara
Arequipa, Peru
Tel: (5154) 380-505
E-mail: ccia@camara-arequipa.org.pe
Website: www.camara-arequipa.org.pe
Mauricio Chabaneix, President

Cámara de Comercio y Producción de Lambayeque
(Lambayeque Chamber of Commerce)
Av. Balta 504-506
Chiclayo, Peru
Tel: (51-74) 23-8081, Fax: (51-74) 23-3040
E-mail: camara@cclam.org.pe
Website: www.cclam.org.pe
Otto Zoeger Navarro, President

Cámara Peruana de la Construcción (CAPECO)
(Chamber of Engineering and Construction Firms)
Víctor Andrés Belaúnde 147, Edificio Real 3, Of. 402,
San Isidro, Lima 27, Peru
Tel.: (511) 441-7032 / Direct: (511) 422-5566 / Fax: (511) 441-7028
E-mail: gerencia@capeco.org
Website: www.capeco.org
Lelio Balarezo, President

Asociación de Bancos
(Association of Banks)
Calle 41 #975, Urb. Corpac San Isidro
Lima – 27, Peru
Tel.: Direct: (511) 612-3303 / Switchboard: (511) 612-3333
Fax: (511) 612-3300
Email: estudioeconomicos@asbanc.com.pe
Website: www.asbanc.com.pe
Oscar Rivera, President
Eduardo Sanchez Carrion, General Manager

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

Asociación Peruana de Porcicultores
(Pork Producers Association. Importers of animals, equipment and feed grain for pork production)
Pomalca 327 Urb. Centro Comercial Monterrico, Surco
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Market Research

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To view market research reports produced by the U.S. Commercial Service please visit the following website: <http://www.export.gov/mrktresearch/> 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 free site is required.

Trade Events

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

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

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling 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; and
- 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:

<http://export.gov/peru/servicesforu.s.companies/index.asp>

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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