



PERÚ

Ministerio  
de Relaciones Exteriores



# PERU:

## Country of Opportunities and Growth. Vision and Challenges 2017



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# I. Knowing Peru

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- Peru is strategically located to the west of Latin America, with a projection towards the Pacific Ocean and Asia.
- It is a megadiverse and multiethnic country.
- Peru was home to ancestral cultures, from one of the oldest in the world like Caral, to the most extensive and developed of the Pre-Columbian period in America: the Inca Empire.
- Subsequently, the Spanish Viceroyalty of Peru was established in the sixteenth century with its capital in Lima.
- In 1821, Peru proclaimed its Independence and today it is a republic.
- The territory of Peru is divided into 24 regions and 1 Constitutional Province.
- The main language is Spanish; however, a large number of Peruvians speak Quechua, Aymara, among other native languages (47 in total).

## II. A solid and stable democracy that guarantees...

**Respect for constitutional democracy, separation of powers and Rule of Law; respect and promotion of human rights, free market and compliance with International Law.**



**Fundamental issues such as the continuity of macroeconomic policies and social welfare are consistently respected by political forces and maintained by elected governments.**



**Multi-party system.**

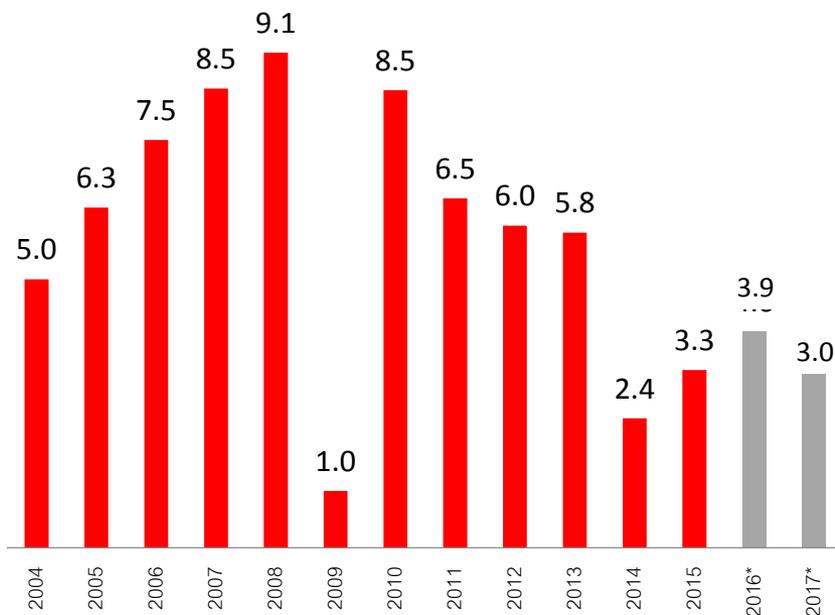
**The President is elected for a period of five years.**

**Unicameral Congress (130 members).  
Separation of powers and electoral  
Institutions.**

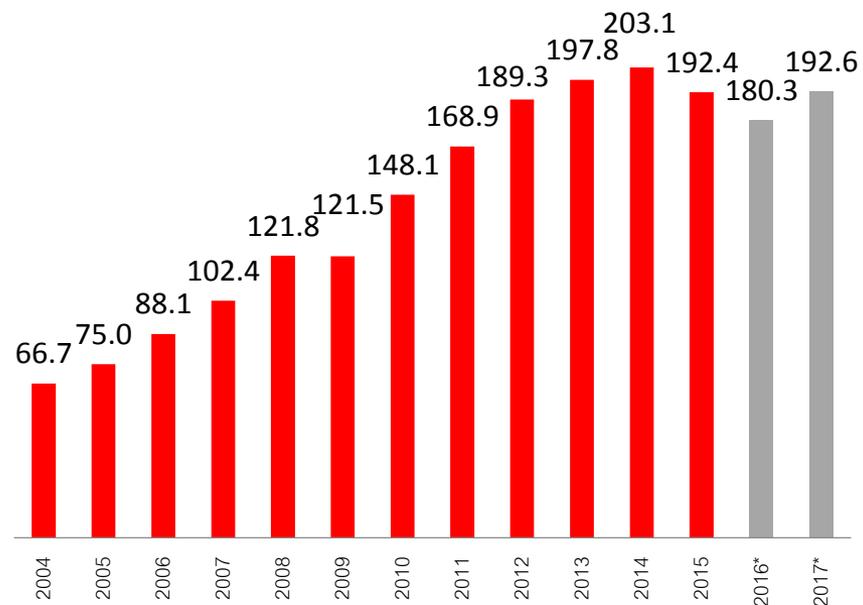


### III. Peru led the region's economic growth in the last decade

**Real GDP, 2004-2017\***  
(Variation %)



**GDP, 2004-2017\***  
(Billions of US\$)



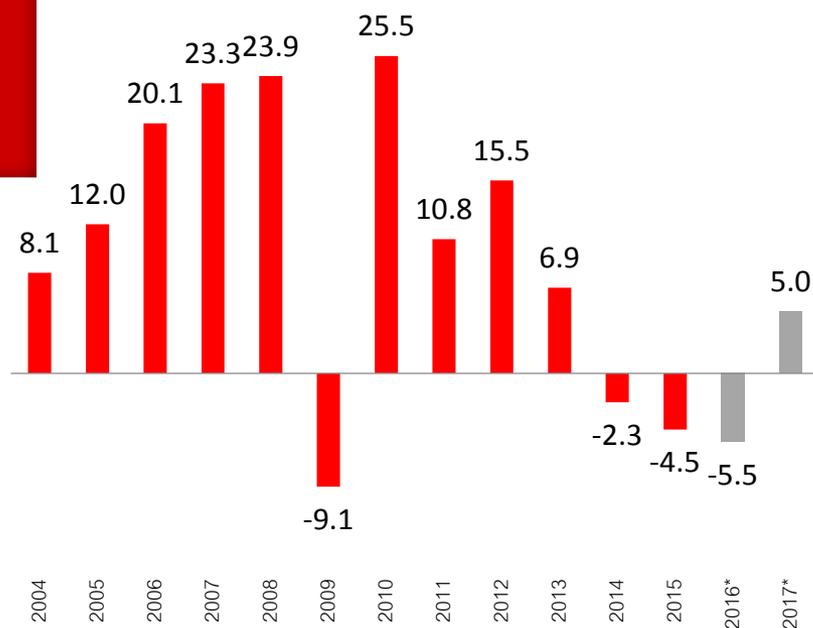
\*In april 2017, IMF and CEPAL said Peru would grow by 3,5% in 2017.

Source: Central Reserve Bank of Peru, International Monetary Fund

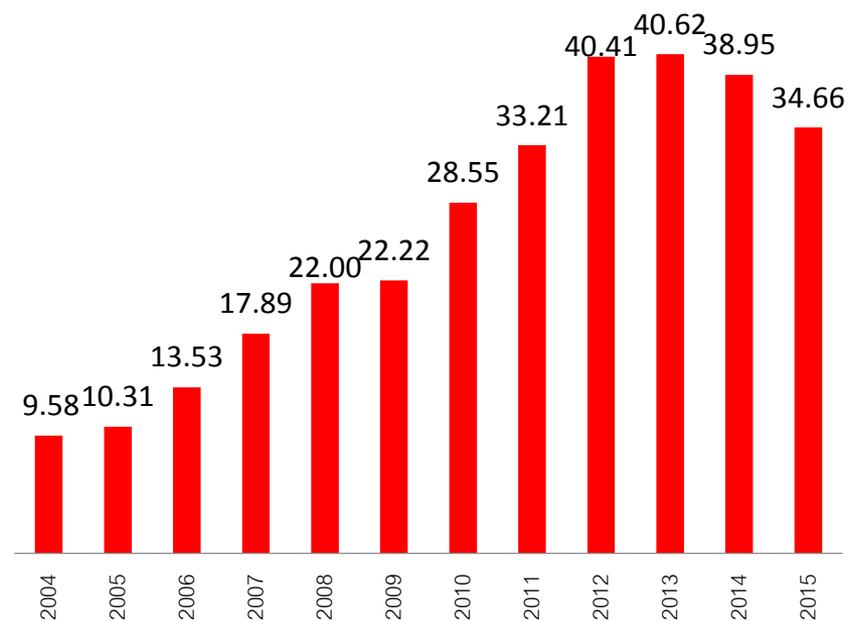
\* Estimated figures. BCRP (Inflation Report, December 2016), IMF (World Economic Outlook Database – October 2016)

### III. Economic growth driven by private investment...

Private Investment 2004-2017\*  
(Variation %)



Private Investment 2004-2015  
(Billions of US\$)

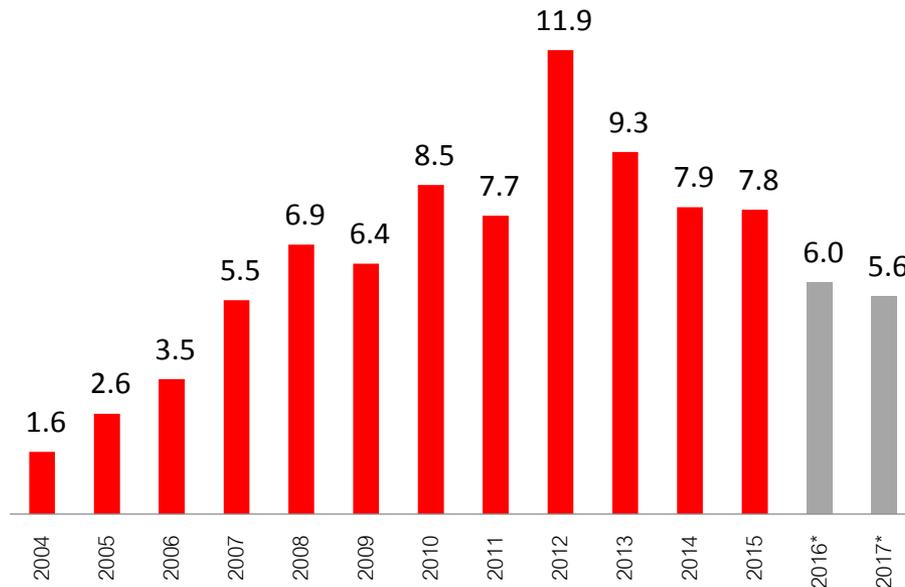


Source: BCRP

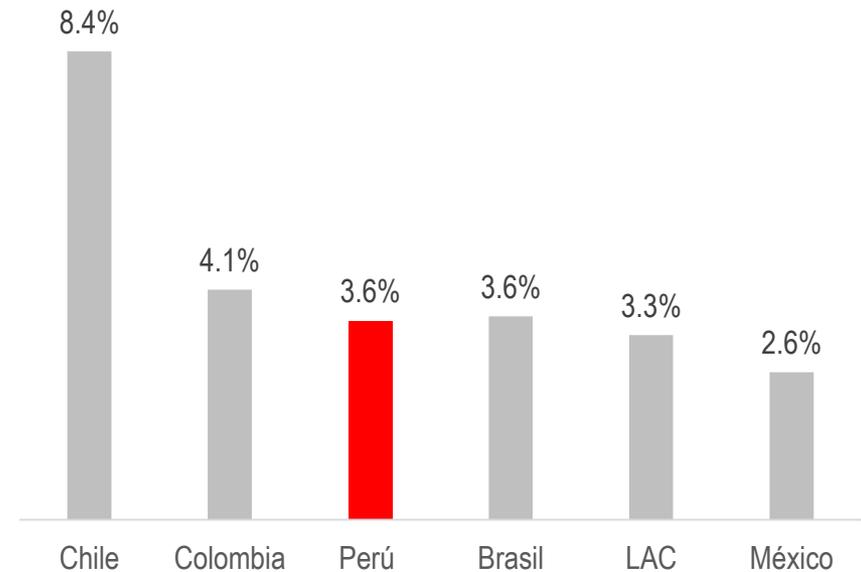
\* Estimated figures from the Inflation Report, December 2016 - BCRP

### III. ... Peru is attractive for foreign investment, which reached a figure close to 8,000 million in 2015

**Net foreign direct investment flow  
2004-2017\***  
*(Billion of US\$)*



**Foreign direct investment – Latin America  
2015**  
*(% of GDP)*



Source: BCRP

\* Estimated figures. BCRP (Inflation Report, December 2016)

### III. Climate of confidence for the investor

The responsible economic policy has earned Peru the degree of investment and investor confidence

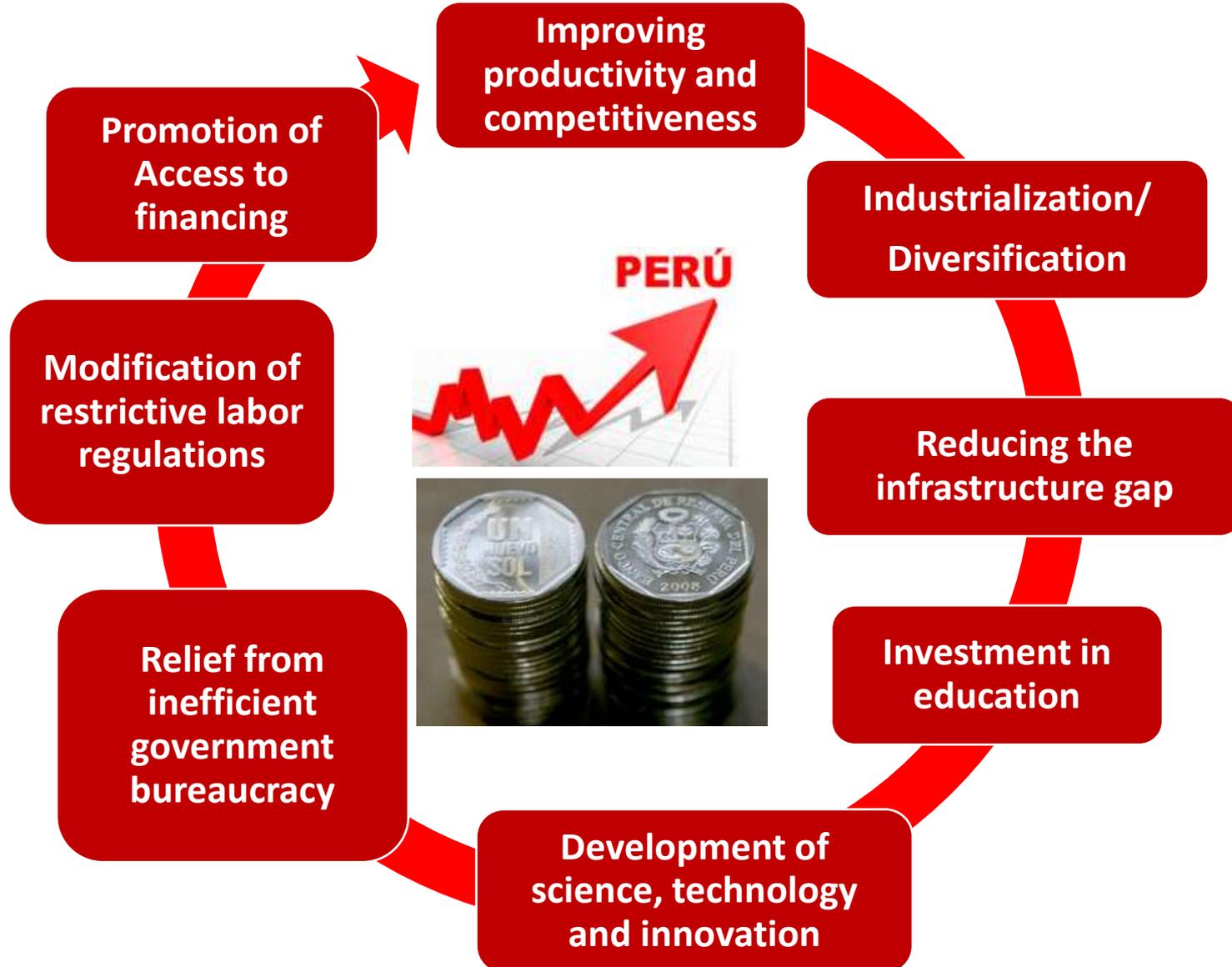
#### Investment Grade Rating *Latin American Comparison*

Country	Moody's	S&P	Fitch
Chile	Aa3	AA-	A+
<b>Peru</b>	<b>A3</b>	<b>BBB+</b>	<b>BBB+</b>
Mexico	A3	BBB+	BBB+
Colombia	Baa2	BBB	BBB
Uruguay	Baa2	BBB	BBB-
Paraguay	Ba1	BB	BB
Brazil	Ba2	BB	BB
Bolivia	Ba3	BB	BB-
Ecuador	B3	B	B
Argentina	B3	B-	B
Venezuela	Caa3	CCC	CCC

## IV. Peru: main political challenges...



## IV. Peru: main challenges in the economic aspect...



# IV. Peru: main challenges in the social aspect...



**Bridging the social gap between urban and rural areas**



**Improve access to water and sanitation services**



**Protection of minorities**



**MINORITY RIGHTS!**



**Reduction of infant mortality**



**Reduce wage differentials between men and women in the agricultural sector**

**Improve the quality of education**

**Pregnancy reduction in adolescents**

## IV. Statistics in the social field...

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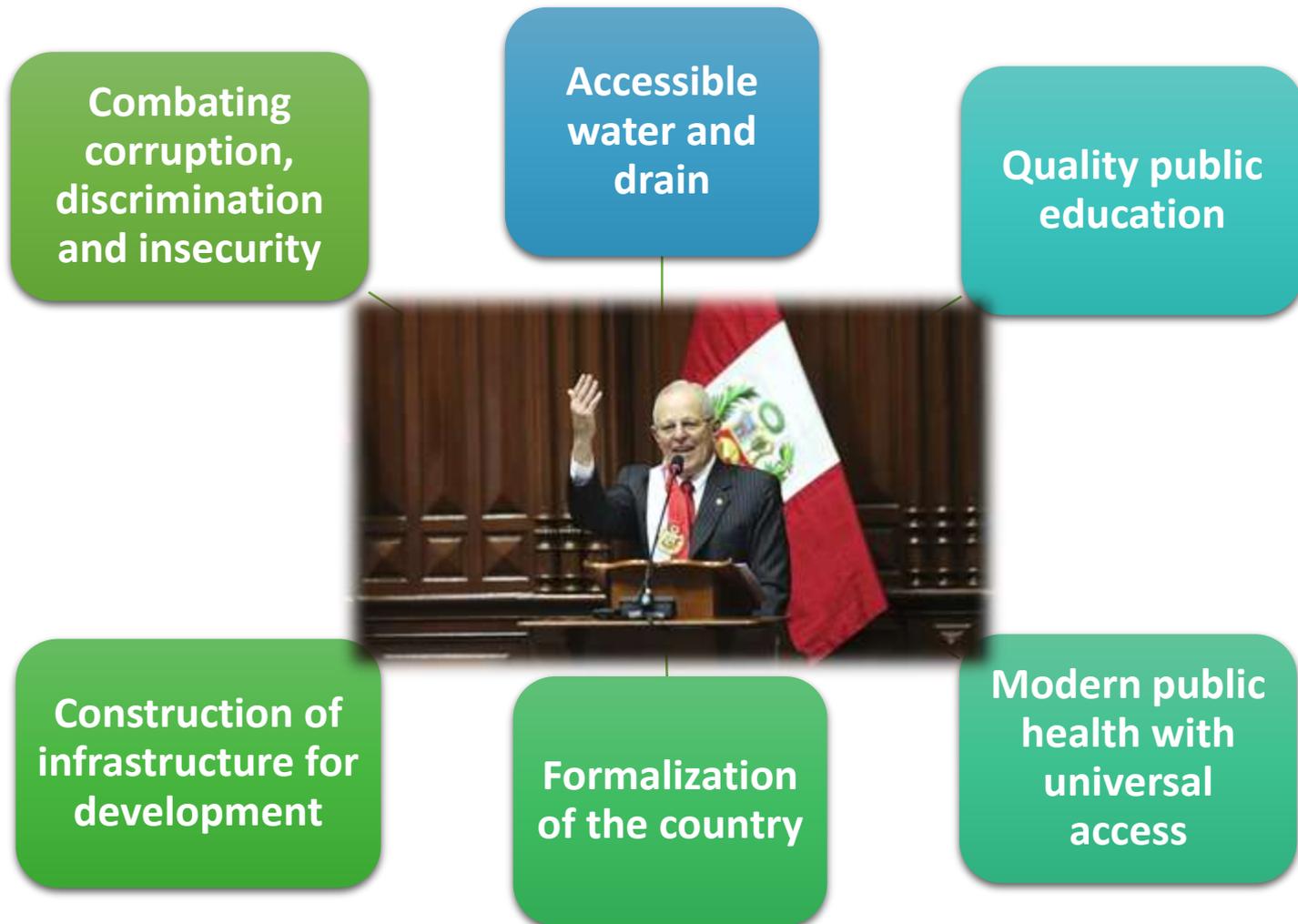


- 221 thousand peruvians stopped being poor between the years 2014 and 2015
- In 2015, 21,8% of the country's population was living in poverty.
- In 2005, chronic malnutrition in children under 5 years was about 28%, while in 2015 this figure was reduced to 14.4%.
- In 2015, 19.2% of GDP came from the informal sector, while 80.8% came from the formal sector.
- In 2015, of the total employed population- which totaled 15.9 million people – 73.2% had an informal employment.

## IV. Where are we going?: Government Priorities 2016-2021

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In July 2016, during the first message to the nation, President Pedro Pablo Kuczynski presented the government's six priority objectives for the Bicentennial of Peru.



## V. Integration in Latin America and worldwide

- Peru participates actively in different integration processes at the political level: Latin American Integration Association (**ALADI**), Community of Latin American and Caribbean States (**CELAC**) and Union of South American Nations (**UNASUR**).
- The Andean Community (**CAN**) is our natural sub-regional group (focus has been on sectoral policies on health, education, labor, infrastructure and border development)
- Peru's relations with the Southern Common Market (**MERCOSUR**) provide a space for dialogue and exchange of good practices.
- ❑ The integration schemes in the Pacific (**APEC, ASEAN**).
- ❑ The Summit of South American-Arab Countries (**ASPA**).
- ❑ South America-Africa Cooperation Forum (**ASA**).



## V. Peru and the Pacific Alliance: a strategic perspective



- The Pacific Alliance (PA) represents 34% of Latin America's GDP and 2.7% of global GDP.
- The AP is the ninth largest economy in the world.
- Its trade represents 35.8% of Latin America and the Caribbean.



- The members of the AP have eliminated the requirement of visas within the group.
- They established the Latin American Stock Market known as MILA, the largest market in Latin America.
- Through the Additional Protocol to the PA Framework Agreement, 92% of common customs tariffs have been liberalized within the group.

## V. The "Country Program" of Peru in the OECD

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Peru's commitment to the Organisation for Economic Co-operation (OECD) began in 1998, and from that moment the country progressively began an orderly and strategic process of linking with this international organization, which included, among other things, the implementation of the "Country Program 2015-2016" with important Results in public reforms inspired by standards and best practices of the organization and its member states.

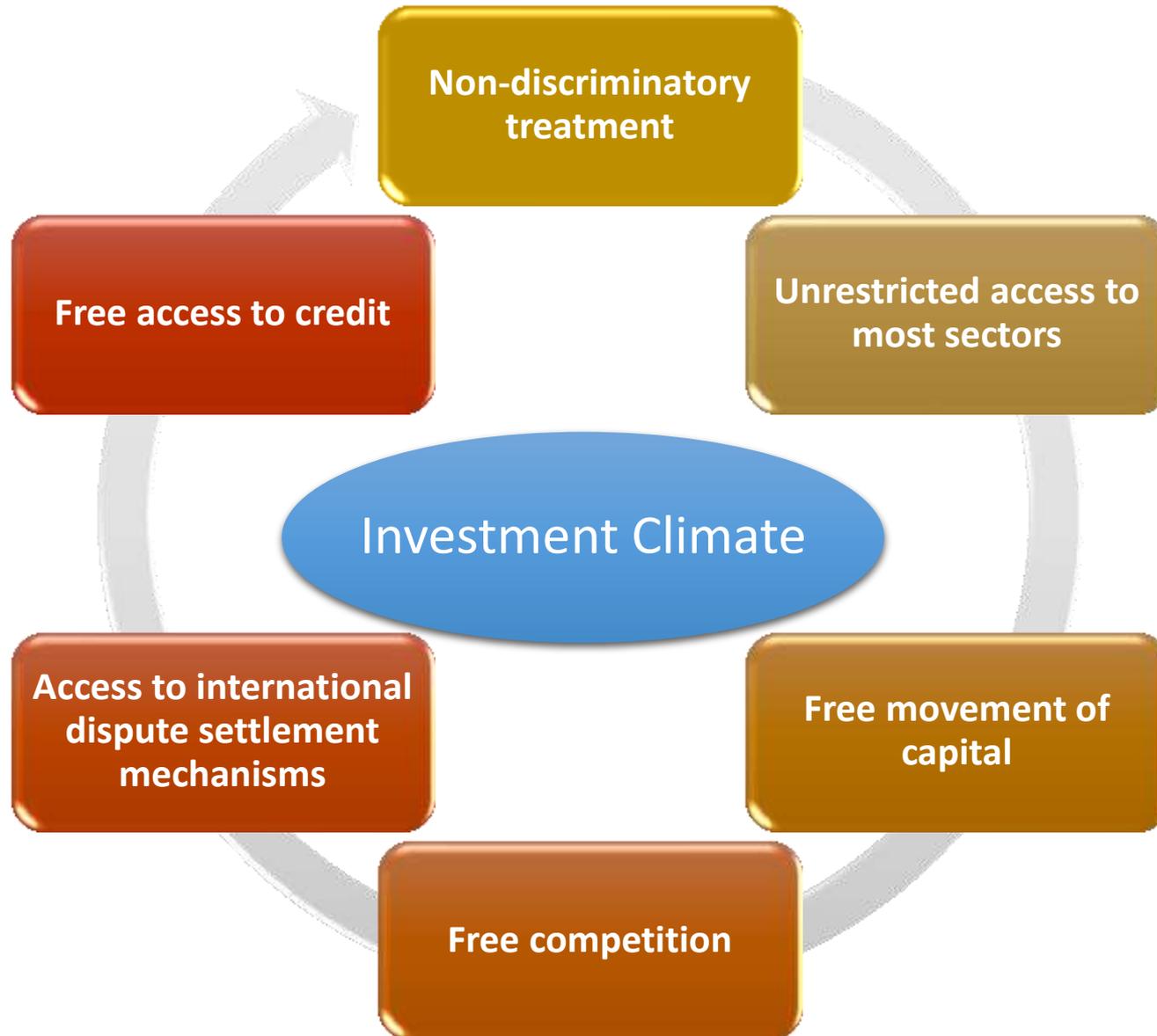
In June 2016, as a natural corollary to the relationship with the organization, Peru assumes co-presidency - along with Chile - of the new OECD Regional Program for Latin America and the Caribbean.

Peru aspires to be a full member of the OECD, for which it has set up special commissions in the Executive Branch and the Legislative Branch.



## VI. The encouraging investment climate in Peru

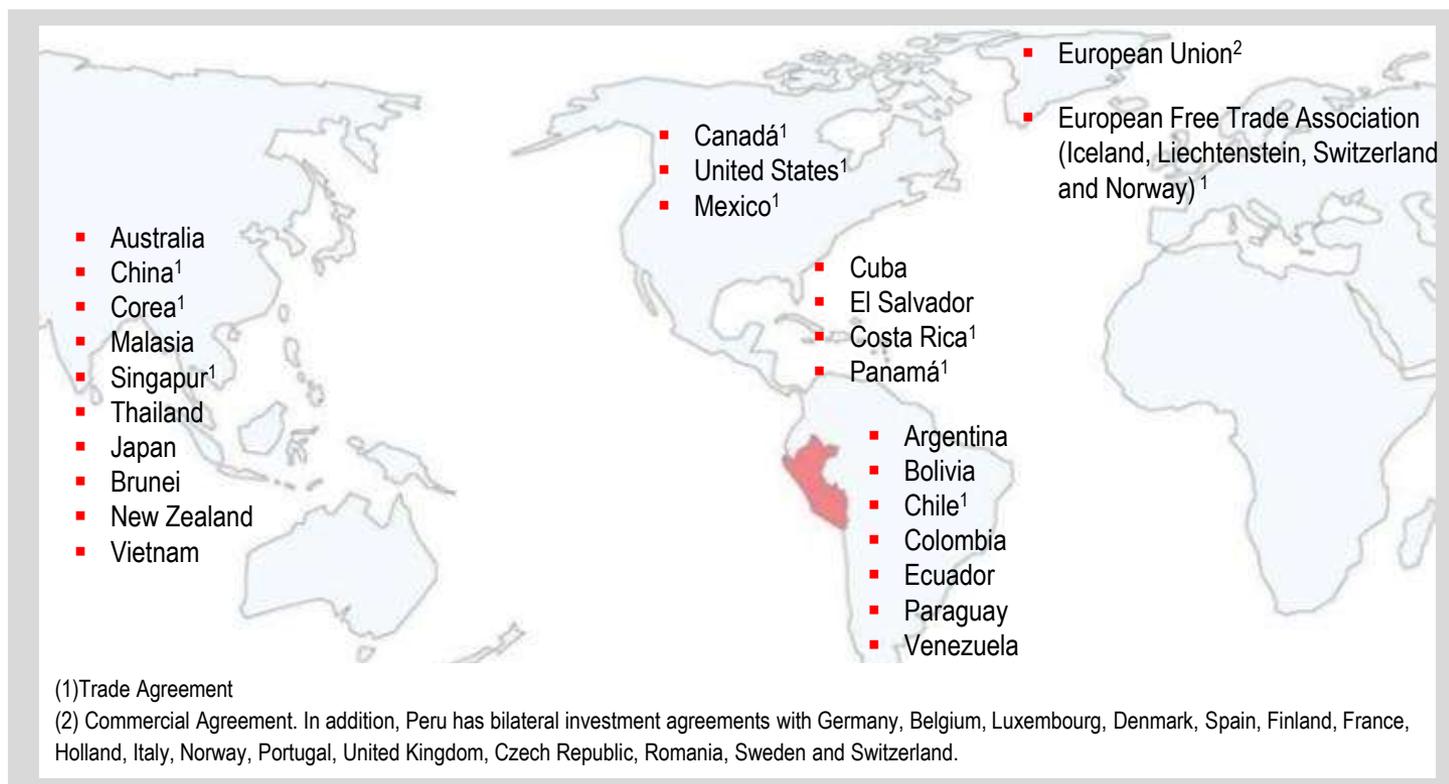
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# VI. Network of Investment Agreements, Trade Agreements and Agreements to Avoid Double Taxation

## International Investment Agreements

- Peru has subscribed and existing Agreements for the Promotion and Reciprocal Protection of Investments and Commercial Agreements of greater scope that include investment chapters, which consolidate our policy of opening.



- In addition, it has 8 agreements in force to avoid double taxation: Andean Community, Brazil, Chile, Canada, Korea, Mexico, Portugal and Switzerland.

## VI. The great gap of Peru in infrastructure as an opportunity ...

- The Association for the Promotion of National Infrastructure (AFIN) and the Universidad del Pacífico, estimated in 2015 that the infrastructure gap for the 2016-2025 period will be 159.549 million dollars.
- Peru's broad infrastructure gap is a great opportunity for future investors in Peru.

**MEDIUM AND LONG-TERM INFRASTRUCTURE GAP  
(Millions of US \$ in 2015)**

Sector	Long-term Gap 2016-2026
Water and Sanitation	12,262
Drinking water	2,629
Sanitation	9,623
Telecommunications	27,036
Mobile phone	6,884
Wide band	20,151
Transport	67,499
Railways	16,983
Roadworks	31,850
Airport	2,378
Ports	6,287
Energy	30,775
Health	18,944
Education	4,568
Initial	1,621
Primary	274
High School	2,672
Hydraulic	8,477
<b>Total</b>	<b>159,549</b>



**PROINVERSION PRESENTS PORTFOLIO OF PROJECTS EU APP  
WILL ENCOURAGE THE DEVELOPMENT OF THE COUNTRY.**

01/26/2017 (PRESS RELEASE)

The portfolio is comprised of 32 APP projects and Asset Projects, which would be awarded between 2017 and 2018, and which could represent an investment of more than US \$ 14,4 billion, considering the probable award of Line 3 of the Lima Metro

\* According to consultant Maximize, infrastructure losses due to natural disasters would cost S /. 17,300 million.

**Sectors prioritized for  
exports**

# VII. NON TRADITIONAL EXPORTS: LINES AND PRIORIZED MARKETS



## AGRIBUSINESS

### Markets:

USA, Europe, Asia, Latin America, Australia.

### Prioritized lines:

Fresh Fruits & Vegetables, Functional, Coffee, Cocoa and Fine Food.

### Strategy:

Promote the exportable offer in all its presentations, taking advantage of the contracting and quality of the Peruvian products and identifying commercial opportunities.

## SERVICES

### Markets:

Latin America, the US and Europe

### Prioritized lines:

Technology solutions Business services.

### Strategy:

Internationalize the offer of Peruvian services in the markets of Latin America, USA and Europe. Globalize technological solutions companies in the Latin American market, through PERU TECH consortium in the markets of Panama and Brazil and the concession of Peruvian franchises

## INDUSTRY OF THE CLOTHING AND DECORATION:

### Markets:

USA, Europe, Asia.

### Prioritized lines:

Alpaca and Cotton.

### Strategy:

To promote offer with added value- Own Brand, Identification of market niches, position the Alpaca Brand and Cotton of Peru.

## FISHING PRODUCTS:

### Markets:

USA, Europe, Asia

### Prioritized lines:

Frozen, Canned, Cured.

### Strategy:

Promote the offer of the main resources of fishing and aquaculture. Positioning products with added value. Increase fishing exports.

## VARIOUS MANUF.

### Markets:

Latin America, USA and Europe.

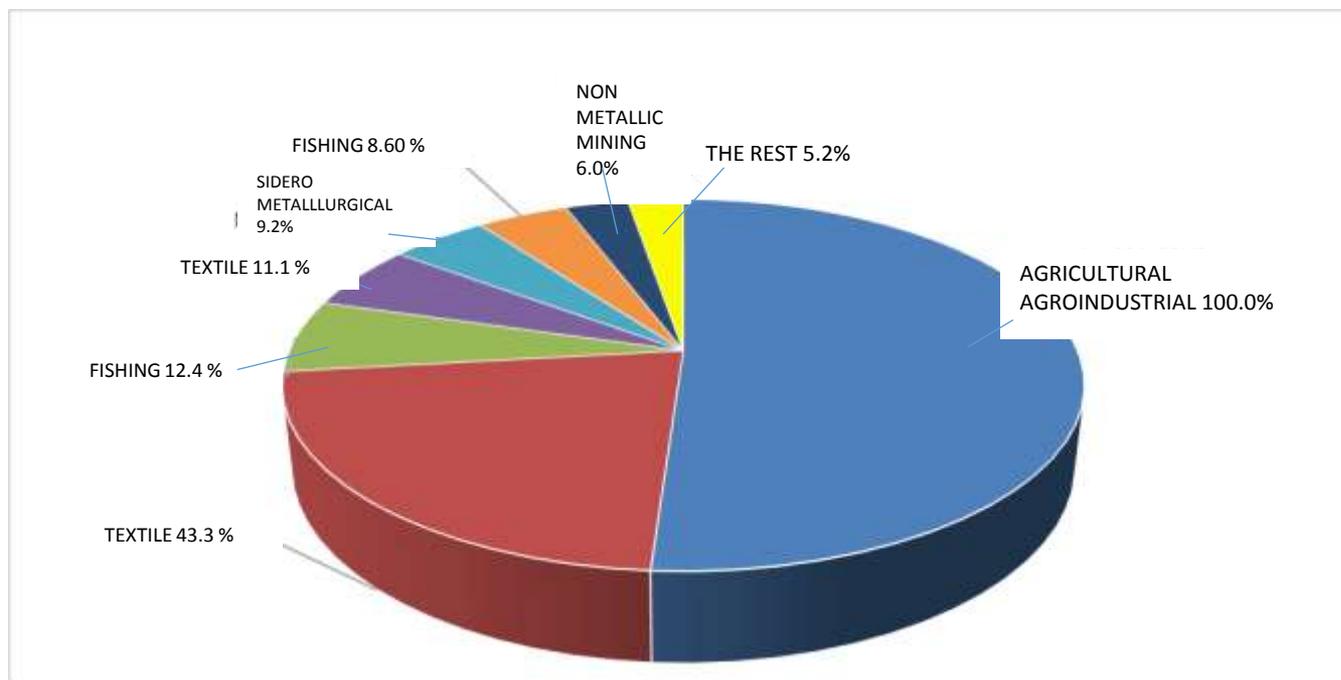
### Prioritized lines:

Suppliers to Mining and Metal-mechanics, Construction Finishes, Packaging and Packs, Power Line, Cosmetics, Equipment for the Food Industry, Spare parts.

### Strategy:

To penetrate and position the supply of manufacturers in Latin American region.

## VII. PERU'S NON-TRADITIONAL EXPORTS - WORLD 2016



		FOB value (Thousands of US \$)	
Nº	Country	2016	Part.% 2016
<b>TOTAL</b>		<b>10,807,796</b>	<b>100.0%</b>
1	UNITED STATES	3,102,925	28.71%
2	NETHERLANDS	820,406	7.59%
3	CHILE	622,806	5.76%
4	COLOMBIA	605,730	5.6%
5	ECUADOR	582,406	5.39%

# **Attractive sectors for investment**

## VII. AGRIBUSINESS SECTOR



- ❖ The Peruvian coast (3,080 km of maritime perimeter) is a **natural greenhouse** that allowed to convert deserts in agricultural zones. (Neither extreme temperatures nor rains)
- ❖ **High agricultural yields:** Asparagus, Olives (3<sup>rd</sup>), Artichokes (4<sup>th</sup>), Grapes (6<sup>th</sup>) and Avocados (11<sup>th</sup>).
- ❖ **Seasonal windows** in the most important markets.
- ❖ **It is projected that the 100,000 ha currently devoted to agro-export will double** as a result of the existing large irrigation and agricultural expansion projects.
- ❖ **More than US \$ 4 billion in exports of fresh and processed products** to more than 148 countries
- ❖ **Organic and natural products with high export potential:** Andean cereals, exotic fruits, berries, etc.

Fuente: PROINVERSIÓN

## VII. MANUFACTURING SECTOR

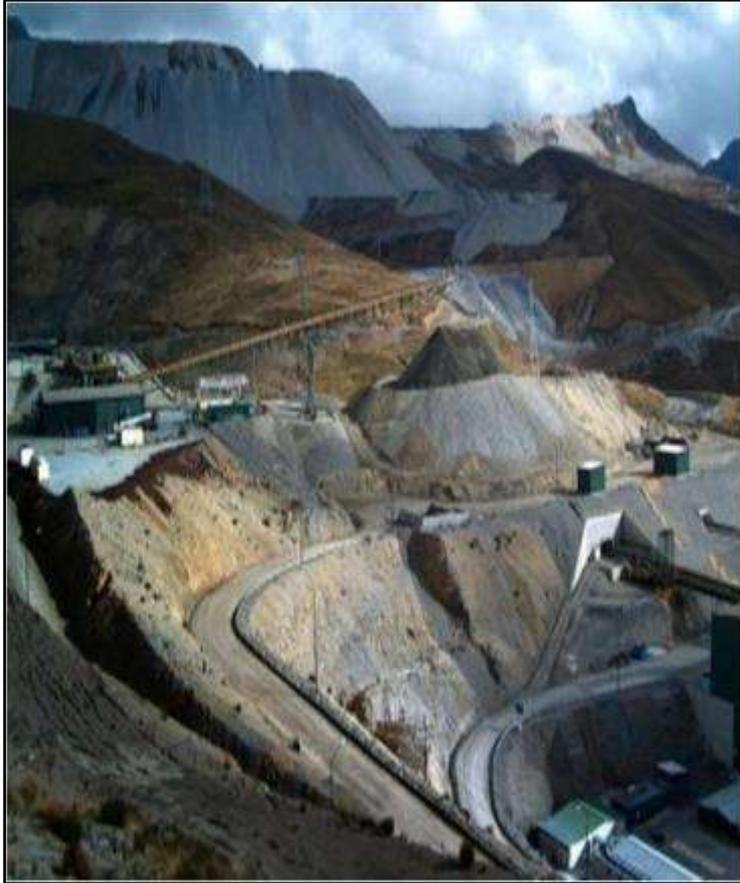
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- ❖ In the last 10 years (2006-2015) the sector has experienced an average annual growth of 4.0%, despite an average variation of -2.6% over the last two years.
- ❖ Several factors have motivated these results, among them the international situation, the low investment in new mining projects and the drastic reduction of the catch of hydro biological species, activities that impact on the performance of the manufacturing sector.
- ❖ It is estimated that the recovery of the sector will be from 2017, with a 4% growth due to the full capacity of mining projects and the dynamics of the domestic market when starting works of large infrastructure projects granted in recent years.
- ❖ Sector includes the following industries: food, textile and leather, furniture, paper, chemicals, metal products manufacturing, among others.

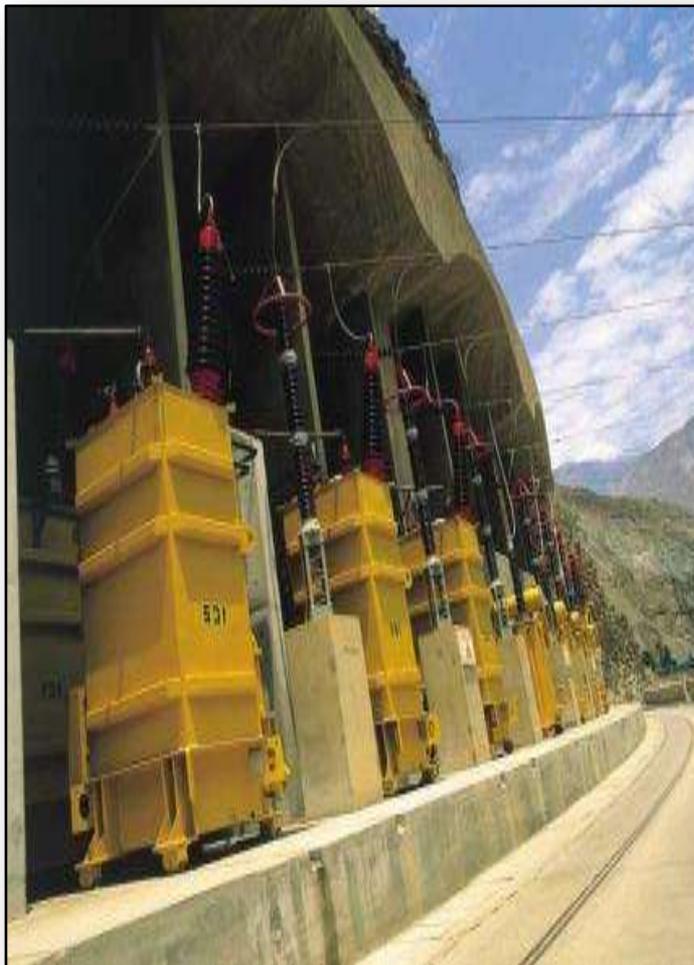
## VII. MINING SECTOR

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- ❖ **Polymetallic country**
- ❖ Only **20% of the territory with mining potential has been explored** and 6% is currently being exploited
- ❖ **In the world:** 3rd producer of copper, silver, tin and zinc. In Latin America: 1<sup>st</sup> producer of gold, zinc, tin and lead; and 2<sup>nd</sup> in copper, silver, mercury, diatomite, phosphoric rock and molybdenum.
- ❖ **In 2015 the mining investment reached a value of US \$ 6777 million.**
- ❖ Peru is one of the few countries in the world with deposits of nonmetallic minerals, including diatomite, bentonite, limestone and phosphates.
- ❖ According to the Ministry of Energy and Mines, projects for **US \$ 46.4 million** will be in operation for the 2016-2021 period.

## VII. ELECTRICITY SECTOR



- ❖ **High energy potential:** Wide availability of water resources and natural gas have made it possible to meet the country's growing electricity demand.
- ❖ In 2015, more than 91% of the national population had access to electric service.
- ❖ **Resources to be discovered and exploited:** There are yet to be explored other abundant sources of renewable energy such as solar, wind, biomass and geothermal.
- ❖ **Energy production has grown in the last 10 years by 88%.** In 2015, thermal generation accounted for 49.79% of total electricity production, hydraulic generation 48.48%, wind energy 1.25% and solar energy 0.48%
- ❖ The main companies in the electricity sector are: Enersur, Edegel, ElectroPerú, Transmantaro, REP, Luz del Sur, Edelnor, Hidrandina and Electro Dunas.

## VII. SECTOR HYDROCARBONS



- ❖ The growth of the hydrocarbons sector began in 2004-2005, when the largest natural gas reserves near the Camisea River began its production phase (Camisea Project)
- ❖ Peru is the largest sustainable source of natural gas in the South American Pacific.
- ❖ As of 31.12.2015, **proven** natural gas **reserves** amount to 14.09 TCF, prospective natural gas **resources** at 60.24 TCF.
- ❖ The expected natural gas demand for the year 2025 (final consumption, petrochemicals and electricity generation) is estimated between 1900 MCF and 2400 MCF.
- ❖ Peru has oil basins that have not been explored (29.97 million ha), making it a potential petrochemical hub.
- ❖ The petrochemical industry **integrates backwards with the production of natural gas and other liquid hydrocarbons**, assigning it a significant added value.
- ❖ According to the BCR, the sector plans to execute between this year and the next US\$ 2,898 million in 15 projects.

## VII. TOURISM SECTOR



- ❖ **Important cultural destination** for archaeological sites of the Incas and Pre-Inca cultures.
  - **Machu Picchu** was chosen as one of the new 7 Wonders of the World.
- ❖ **Diversity of natural scenery**, destination for birdwatchers and orchids.
- ❖ Important investment of hotel **chains of international prestige**.
- ❖ Convention and gastronomic **tourism is taking a significant impulse**; Lima is considered as one of the main venues of events and gastronomic capital of Latin America.
- ❖ **Greater connectivity** with the increase of new weekly frequencies in international flights that allow greater connections and destinations, better travel options.
- ❖ **Investment opportunities** in the 8 prioritized tourist destinations :
  - Beaches of the North, Amazon River, Amazonas-Kuélap, Moche Route, Lima, Nazca-Paracas, Colca Valley and Puno-Lake Titicaca.

Source: **PROINVERSIÓN**

## VII. REAL ESTATE SECTOR

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- ❖ **The average annual growth of the Construction sector in the last 5 years was 4.6%.**
- ❖ The slowdown in the economy reduced the demand for housing that had been registered until 2013. However in the last year the largest investments in the sector were directed towards the construction of shopping centers and large infrastructure projects.
- ❖ In order to facilitate access to housing - nationally - the Ministry of Housing and Construction has been developing the following Programs and Products :

- Property for sales
- Real estate leasing
- MiVivienda Credit
- MyConstruction
- My Materials
- Techo Propio
- Structural Reinforcement Bonus

# VII. TRANSPORT INFRASTRUCTURE



❖ Peru has prioritized the development of transport infrastructure (road, rail, port and airport), to increase its competitiveness, expand its multimodal connectivity, and establish itself as a **Regional Hub** that allows integration with the **Asia-Pacific region**.

❖ The modernization of the transport infrastructure has been carried out through the execution of 31 Concession Contracts, whose investment commitments amount to **US \$ 14,440 million\***

❖ By 2017, the sector will continue to expand, with the implementation of new Public Private Partnerships (PPP) projects, prioritized by the MTC, projecting additional investment commitments in the amount of **US \$ 10,365 million**.

❖ This new investment cycle presents attractive opportunities for investors, including contractors, suppliers and operators.

\*OSITRAN - Investment Recognized in Concession Contracts - (April -2016)

## VIII. Natural richness of Peru

Peru has 84 of the 117 different types of "living zones" in the world.



Peru has unique and highly nutritious native products.



# VIII. Peruvian gastronomy

National Identity spanning multiple cultures



Winner of the World's Leading Culinary Destination for the past five years.



The Leading Gastronomic Fair in Latin America



# VIII. Languages and folklore of Peru

A great variety of native languages that coexist in its territory



Peru has today a very rich and varied folklore, and a great diversity of music and dance



## What does Peru offer?

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1. Its quality as a reliable political partner in the region in promoting democracy, human rights and other shared values such as free market and respect for the environment.
2. Peru is a reliable economic partner with a strategic geographical location that profiles it as a potential "hub" in South America.
3. An enormous biodiversity and a multicultural country with a great variety of native products and services with added value. The Peruvian population is characterized by its creative and entrepreneurial spirit.

## What does Peru need?

- Attract investment, energize and diversify its trade.
- Cooperation in education, health, science, technology and innovation, clean energy, forest management, natural disasters and other climate challenges (including "The El Niño Phenomenon"), sustainable urban development and alternative development to fight against drugs.
- Dialogue and cooperation to overcome the main institutional challenges of its democratic system.

# The Ministry of Foreign Affairs (MRE) and Economic Promotion

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## Ministerio de Relaciones Exteriores

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