



Doing Business in Peru: 2011 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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In 2010, the Peruvian market rebounded strongly after the 2008 and 2009 Global Economic Crisis. In fact, after a rapid decline in their GDP from 9% in 2008 to 1% in 2009, Peru's economy saw a remarkable recovery in 2010 at 8.8 percent. Peru experienced one of the strongest market recoveries in Latin America after the Global Economic Crisis. However, the Peruvian market was not immune to the economic downturn that impacted much of the global economy. The country experienced a sharp drop in international trade activities, including a steep decline in imports from the United States. However, Peru's 8.8 percent growth in 2010 showed a country not on the mend, but a country in the economic forefront with other regional leaders. During the Global Crisis, Peru's overall exports declined by approximately 18% while imports fell by 28%. In contrast, in 2010, exports grew by 31.8% with a total value of \$35.6 billion and imports grew by 37.1 with a total value of \$28.8 billion. In the same year, Peru was America's 33rd largest export market. The U.S.'s exports to Peru grew by 37% over 2010 and totaled \$6.7 billion in trade.

By late 2009 and early 2010 developments suggested that trade and economic performance was back on track. In 2010, U.S. exports were up 45% over 2009 levels and imports from Peru were up by 15% over that same period. Signs of such a turnaround appeared in late 2009, with December showing economic growth at an annualized rate of 6.4%. Even during the depth of the economic slowdown, consumer confidence in Peru remained strong and the increase in unemployment felt in many countries was largely avoided in Peru. The first quarter of 2011 suggests that Peru's economy will stay strong at 7% GDP growth, which is still another record level since before the economic crisis. However, on June 5, 2011, Peruvian citizens elected Ollanta Humala as their new President. He will take office on July 28. Until the new Administration is in office and a cabinet is in place, it is difficult to predict if or how they might change Peru's current economic model. It will undoubtedly take six months to a year to fully assess the goals and policies of the incoming President and the role of the new Congress, which saw approximately 80 percent turnover this year.

Looking forward, the mining sector will continue to present important marketing opportunities for U.S. firms. While the global slowdown and dip in many metals prices led to a pause in many planned mining projects, there are still over \$20 billion in proposed new investment in Peru's mining sector. Mining continued to be Peru's main export sector, counting for approximately 61% for all exports in 2010. The sector received some \$4 billion in new investment during 2010.

Infrastructure development remains a priority as well, with several major projects expected to be awarded in 2011. In late 2010, ProInversion, Peru's Private Investment Promotion Agency announced "Urgent Decree 001-2001", which specifically targets 33 projects as national priority and establishes the guidelines for the tendering process. The prioritized projects include Roadways and Waterways, Ports, Natural Gas, Infrastructure, and Energy Generation and Distribution projects. These include an \$884 million multi-purpose terminal at Lima's main port in Callao being developed by APM Denmark, an international airport project in Chinchero-Cusco valued at \$379 million, a \$110 million project to finance and design the construction, maintenance and operations of a 500Kv Transmission Line Trujillo-Chiclayo. Continued development of the oil and gas sector, as well as strong demand in the construction industry, are also fueling demand for U.S. goods and services.

Peru continues its strong push toward integration with the global economy. Implementation of the U.S. Peru Trade Promotion Agreement (commonly referred to as the Free Trade Agreement, or FTA) in February 2009 has been followed by a series of negotiations in which the Peruvian Government has concluded or is seeking to conclude trade agreements with its other major trading partners, including China, the European Union and Japan. Peru was also a participant in efforts begun in early 2010 to negotiate a regional trade agreement under the Trans-Pacific Partnership, which also includes the United States and others. Despite the decline in bilateral trade between the U.S. and Peru in 2009, the U.S. in 2010 retained its share of the Peruvian market, which actually increased slightly, to 19%. China was the second largest supplier of goods to Peru, with a 17% market share, while Brazil was a distant third at 7%.

In its Doing Business 2010 publication, the World Bank ranked Peru 56 among 183 countries surveyed in terms of ease of doing business. This represented a nine place jump in Peru's rating from 2009, when it was ranked 65 among the countries surveyed. Challenges cited by the 2010 report included enforcing contracts, dealing with construction permits, employing workers and starting a business. On all of these items Peru's ranking was below 100. In other areas, such as obtaining credit and protecting investors, Peru was in the top 20 worldwide. The full text of the Peru report can be accessed at <http://www.doingbusiness.org/ExploreEconomies/?economyid=152>.

Market Challenges

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As a result of the entry into force of the U.S. Peru Free Trade Agreement, 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 entering the country results in relatively higher prices for many goods in comparison to those prevailing in the United States.

Despite advances reflected in the World Bank "Ease of Doing Business" report, both domestic and foreign firms continue to identify cumbersome bureaucratic procedures as being 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 is fully and accurately completed. Difficulties in securing legal remedies to commercial disputes are also noted as a concern by firms operating in Peru. On June 5 Ollanta Humala was elected president, and will take office in July 28, 2011 for a five-year term. The markets are taking a cautious approach and decisions on major economic policies and/or commercial projects may take on a more political tone.

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
- Plastic Materials and Resins
- Construction Equipment
- Industrial Chemicals
- Oil and Gas Field Machinery
- Telecommunications Equipment
- Pumps, Valves, Compressors
- Air Conditioning and Refrigeration Equipment
- Computers and Peripherals

The Best Prospects for U.S. agricultural products include:

- hard red wheat
- cotton
- yellow corn
- soybean meal
- dairy products (whey and cheese)
- beef and offals
- pet food

Market Entry Strategy

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U.S. companies often find it advisable to appoint local representatives to investigate market opportunities and to establish sales networks. Retention of local legal counsel is often required to successfully navigate Peru's informal business practices and bureaucracy. U.S. exporters may wish to contact the Commercial Service (U.S. Department of Commerce) at the Embassy to obtain a market briefing, assistance in locating an agent, distributor, partner, or arranging appointments during a business trip to Peru (Gold Key Service). Please refer to www.BuyUSA.com.pe for information about Commercial Service Lima's services. The Foreign Agricultural Service and Economic Section (U.S. Department of State) can also provide briefings on the economic, financial, and investment climate in Peru.

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Chapter 2: Political and Economic Environment

For 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/35762.htm>

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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, U.S. companies should 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 diligent when selecting an agent or a representative in Peru. To maximize efficiency and minimize cost, U.S. companies may wish to take advantage of relevant 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 aware of matters concerning taxes on corporate and branch income, which have an identical regime, 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 general labor laws that will affect the business when it starts operating. 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. 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 forms of business organization that can be used for these purposes: branch offices or incorporated subsidiaries.

Establishing a Branch

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

- Copy of the articles of incorporation of the parent company.
- Certificate of incorporation and good standing or other official document certifying the existence and continuous operation of the parent company. This certificate must state that the parent company is not prohibited, either by law or by its own by-laws, from establishing branches abroad. If such 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.

Registration fees are as follows:

-Registration fee: approximately 3/1000 of the assigned capital with a maximum of approximately US\$1,100 (one tax unit: 3,600 soles for 2010).

-Translation fees: between US\$10 and US\$12 per page.

-Legalization at the Ministry of Foreign Affairs: US\$10 per document.

-Notary and legal fees: widely variable rates.

Once a residence or a domicile can be demonstrated, the foreign company must obtain the Registro Unico del Contribuyente ("RUC" or tax payer number.) The taxpayer will use his 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 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, the following 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; and

-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 (S.A.: Sociedad Anonima), closed corporation (SAC: Sociedad Anonima Cerrada), both similar to the private company having the latter some similarities with the LLC (see below), and open corporation (SAA: Sociedad Anonima Abierta), similar to the public company.

Closed Corporation

The closed corporation (SAC) must have a minimum of two and a maximum of twenty shareholders. The shareholders meetings, and Chief Executive Officer, manage the SAC. A board of directors is optional. In case of transfer of shares the law stipulates a right of first refusal for the existing shareholders. The 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 National Supervisory Committee of Corporations and Securities (CONASEV) supervise open corporations.

Limited Liability Companies (Sociedad Comercial de Responsabilidad Limitada) is another form of business organization that is 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. The minimum number of partners is two and the maximum is twenty. 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 (ProInversion) and the Ministry of Foreign Affairs.

<http://www.proinversion.gob.pe/1/0/modulos/JER/PlantillaStandardsinHijos.aspx?ARE=1&PFL=0&JER=859>

<http://www.rree.gob.pe/portal/economia2.nsf/91d93e7ca259fb4405256c0e0005a30f/af7552948b44775205256c0d006f8979?OpenDocument>

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 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 CS Lima to discuss arbitration venue options, as one of the leading centers has had some complaints. 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 170 companies. About 70% are foreign owned, mostly U.S. companies, and 30% correspond to Peruvian companies. The franchise sector in Peru is concentrated primarily in food services. Official figures for the market are not available; however, experts report that the sector has grown by 10% during the last three years. The Peruvian franchise market is composed of approximately 51 companies, mostly in the food sector. According to 2010

statistics, 17 food companies are developing their trademarks in countries such as Chile, Mexico, Spain, Panama, Colombia, and the U.S.

There is no specific legislation to govern franchising, though franchises in Peru are subject to general commercial law, Decision 486, Decision 608, Decision 291 of the Andean Community, and the general antitrust law. According to articles 162 through 164 of Decision 486, a written license agreement must be registered at the patents and trademarks office (INDECOPI – www.indecopi.gob.pe). Prospective franchisers need to be aware of a 30% income tax on royalties, 19% 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, pre-school educational training, 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 zealously 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 bid process, for which they must register with the National Register of Suppliers (RNP by its Spanish acronym). 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 goods and services provider.

To register a company must:

1. Pay a fee at the Organismo Supervisor de las Contrataciones del Estado (OSCE, Government Contracting Supervisory Agency), of 9.2% (goods and/or services), or 22%

(construction) of one UIT (taxable reference unit by its Spanish acronym). For 2011 one UIT is 3,600 Nuevos Soles (approx. US\$1,240.)

2. Present the official form (available at <http://www.osce.gob.pe>) signed by the legal representative.

3. 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 the following 15 working days.

4. Copy of the constitution testimony or documents that evidence the company's legal establishment/status, notarized by the Peruvian Consulate in the United States, and registered with the Peruvian Ministry of Foreign Affairs, translated by an authorized interpreter.

Caution should be exercised when responding to a Peruvian government bid 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 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 high-ranking 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) Plurilateral 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 an estimated 50% of the country's GNP generated in and around Lima. As a result, a large portion of the sales activities of U.S. firms occur in Lima. Sales opportunities do exist in other major population centers such as Arequipa, Chiclayo, and Trujillo. This should 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” or 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. Expenses for commercial and industrial space are relatively high in the Lima area, however, 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 countries such as Taiwan and Korea often outsell more expensive European or North American consumer products in the realm of consumer electronics, appliances and automobiles. Seconds, 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 increased the attractiveness of U.S. product imports.

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 a few additional cities outside of Lima. The rest of Peru is largely under populated, 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 sierra (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 sale 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. B2B type 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 B2B and B2C solutions. They focus mostly on cost reduction rather than using this new distribution channel and developing products/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>
- b) <http://www.rosatel.com.pe>
- c) All banks (i.e. <http://www.viabcp.com>, <http://www.bbvabancocontinental.com>) and most financial services' 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 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 (i.e. <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 (<http://www.sunat.gob.pe>); the public registry (<http://www.sunarp.gob.pe>); and the Peruvian state-owned bank that handles the Treasury accounts (<http://www.bn.com.pe>.) The National Elections Bureau (<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 ONGEI - Oficina Nacional de Gobierno Electronico e Informatica (<http://www.ongei.gob.pe>) (National Office of E-Government and Information Technology) under the Presidential 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 the government purchases through the implementation of an electronic mechanism of acquisitions, to promote decentralization and efficiency.

There is no Public Key Infrastructure (PKI) in Peru yet, but digital signatures are widely used for tax declarations (more than 1 million users). Transactions are made through electronic funds transfer and the Peruvian state-owned bank has created a secure platform for on line transactions. INDECOPI (National Institute for the Defense of Competition and Protection of Intellectual Property, <http://www.indecopi.gob.pe>) is working to implement a PKI under the E-Gob Peru project. Peru will probably 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: Done, but will be modified.
- c) Electronic Commerce: Not explicit, but there exists 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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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 oldest paper with more than 170 years of continuous publication. Other major dailies include "Peru.21," "Correo," "La Republica," "La Razon," "La Primera," "Expreso," tabloids "Trome," "Ojo," and "El Popular," the independent business daily "Gestion," and the official gazette "El Peruano."

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 for transmitting information about local issues and events outside of Lima. However, it has little power to shape opinions, particularly among Peru's decision-makers.

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), one of the many electronic media holdings of the Delgado Parker family. With transmitters and correspondents in virtually every important city in Peru, RPP constitutes Peru's only true national radio network. In most major cities, including Lima, RPP leads most AM and FM ratings.

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 several 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 MMDS (Multichannel Multipoint Distribution Service) companies serving approximately 985,000 homes in different areas of Peru. The main cable service companies are Telefonica del Peru (Spain) offering "Movistar TV", with 690,000 subscribers; the DirecTV Group (USA), offering its cable service "DirecTV" with 50,000 subscribers; the America Movil Group (Mexico) with its product "Claro TV" (former "Cable Express" and "Telecable", acquired from the Mexican company Telefonos de Mexico, TELMEX, in 2007, and previously from Peru's Boga Comunicaciones and from Panama's Corporacion Vicmar S.A.) serving Lima and Chiclayo cities with about 32,000

subscribers; and the Caracol Group (Colombia) with its local product “Cablevision” with 20,000 subscribers in some provincial cities. Their packages include CNN and programming from other Latin American, Asian and European countries. The remaining cable companies are small firms offering their service in concentrated areas surrounding Lima or in the provinces.

Peruvian advertising expenditures in media exceeded \$500 million in 2010.

Pricing

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In general, Peru is an open market, with minimal trade restrictions. The weighted average tariff is 2.7% and the nominal (simple) average is 5.0%. Distributor mark-up varies according to type of product, but usually ranges between 12% and 25%. All imports are subject to a 19% 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, while that applied to used ones 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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Protecting Your Intellectual Property in Peru:

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

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Peruvian market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Peru. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in 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 we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

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

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

IP Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US 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, China, Egypt, India, Russia, and other 15 countries. For details and to register, visit:
http://www.abanet.org/intlaw/intlproj/ipprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site 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.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Peru at:
http://www.buyusa.gov/home/contacts.html?em_ctry=BR#Rio_De_Janeiro.

IPR Climate in Peru

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

Under the U.S.-Peru Trade Promotion Agreement, the Peruvian Government will treat U.S. companies as well as Peruvian companies in all categories of intellectual property rights (IPR). The agreement provides for improved standards for a broad range of IPR protection and enforcement. These standards are consistent both with U.S. and emerging international protection and enforcement standards. Such improvements include state-of-the-art protections for digital products such as U.S. software, music, text,

and video; stronger protection for U.S. patents, trademarks and pharmaceutical and agrochemical test data; an electronic system for the registration and maintenance of trademarks; and harsher legal penalties to deter piracy.

Despite PTPA implementation and recent legal code amendments creating stricter penalties for some types of piracy, the Peruvian judicial branch has failed to impose sentences that adequately deter future IPR violations. Prosecutors have yet to pursue more piracy cases to a final judgment. Judges have yet to give deterrent-level sentences allowed under the expanded criminal code. Furthermore, the Peruvian public does not appear willing or motivated to change perceptions regarding IPR infringement. The public continues to purchase pirated software, CDs, DVDs, pharmaceutical products, and books from street vendors at stop lights, peddlers at popular beach destinations, or popular markets known for selling pirated goods. Pirated goods' purchase continues because most Peruvians realize the Peruvian government will not prosecute them.

Parts of the Peruvian government continue to sponsor public awareness campaigns to promote the legal purchase of original products. The Peruvian government also has carried out numerous raids over the last few years on large-scale distributors and users of pirated goods, and the Peruvian Government has increased customs enforcement. Nonetheless, piracy continues to cause damage to legitimate copyright owners in Peru.

The International Intellectual Property Alliance (IIPA) estimated in February 2010 that the piracy level in Peru for recorded music is at 98 percent. IPR industry observers estimate trade losses at US\$57.2 million in 2008, a slight decrease from 2007 levels. The Business Software Alliance estimates that software piracy levels remained at 71% in 2009, with a loss of \$50 million in 2009. All observers would agree the majority of motion pictures are pirated in Peru. Peru's fiscal police seized 37,647,000 copies of recorded and blank CD-Rs and DVD-Rs of movies and music in 2009.

The research-based pharmaceutical industry claims that the Peruvian government fails to provide data exclusivity protection for all pharmaceutical products, nor does the Peruvian government 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 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, www.indecopi.gob.pe), established in 1992. Legislative Decree 1075 and Andean Community Decision 486 protect patents, trademarks, and industrial designs. Copyrights are protected by Legislative Decree No. 822 of 1996 and by Andean Community Decision 351. Pharmaceutical and agrochemical test data are protected by Legislative Decrees 1072 and 1074, respectively.

Peru belongs to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). It is also a signatory to the Paris Convention on Industrial Property, Geneva Convention for the Protection of Sound Recordings, Bern Convention for the Protection of Literary and Artistic Works, Brussels Convention on the Distribution of Satellite Signals, Phonograms Convention, Satellites Convention,

Universal Copyright Convention, the World Copyright Treaty, and the World Performances and Phonographs Treaty and the Film Register Treaty. In December 1994, the Peruvian Congress ratified the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property (TRIPS).

Under the PTPA, each party shall ratify or accede to the following agreements: the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite; the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure; the WIPO Copyright Treaty; the WIPO Performances and Phonograms Treaty; the Patent Cooperation Treaty; the Trademark Law Treaty; and, the International Convention for the Protection of New Varieties of Plants (UPOV Convention). Under the PTPA, each party shall make all reasonable efforts to ratify or accede to the following agreements: the Patent Law Treaty; the Hague Agreement Concerning the International Registration of Industrial Designs; and, the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks. As of January 2011, the Patent Cooperation Treaty (PCT) and the Trademark Law Treaty (TLT) have been in force since June 6, 2009 and February 1st, 2009, respectively. The Peruvian Congress has accepted the UPOV Convention in July 2010 through Resolution No. 29557 and the law is now waiting signature by the President.

Please see "Protection of Property Rights" in Chapter 6: Investment Climate.

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 Credito: <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.ripley.com.pe/>

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

BBVA Banco Continental: <http://www.bbva BANCOCONTINENTAL.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/index.html>

Accounting/Business Consultants

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

Atenea Group, security solutions: http://www.ateneagroupusa.com/us/index_us.html

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>

Ernst & Young, accounting, auditing and tax advisory:
http://www.ey.com/global/content.nsf/South_America_S/America_del_Sur_Home

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/english/index.html>

Credit Reporting Agencies

Infocorp/Equifax: www.infocorp.com.pe

CERTICOM: 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/english/homepage_00.html

Law Firms

Barreda Moller: http://www.barreda.com.pe/index_eng.htm

Barrios, Fuentes, Urquiaga Abogados: http://www.bafur.com.pe/index_en.html

Estudio Aurelio Garcia Sayan Abogados:
<http://www.garciasayan.com.pe/english/default.htm>

Estudio Eche copar: <http://www.echecopar.com.pe/enmain.htm>

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

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

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

Muniz, Ramirez, Perez-Taiman & Luna Victoria Abogados:
http://www.munizlaw.com/english/index_en.asp

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

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

Logistics

Corporacion de Logistica Integral – CLI, logistics operator:
<http://www.cli.com.pe/english/index.htm>

Maersk Sealand, ocean carrier:
http://www.maersksealand.com/link/?page=lhp&path=/south_america/peru

Ransa, logistics operator: <http://www.ransa.net/pe/ing/homepage.htm>

Moving

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

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 SAC: <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

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

Telefonica S.A., telecommunication services: <http://www.telefonica.com.pe>

Telmex Peru S.A., telecommunication services: <http://www.claro.com.pe>

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Banco de la Nacion: <http://www.bn.com.pe>

INDECOPI: <http://www.indecopi.gob.pe>

Ministry of Foreign Affairs:
<http://www.rree.gob.pe/portal/economia2.nsf/91d93e7ca259fb4405256c0e0005a30f/af7552948b44775205256c0d006f8979?OpenDocument>

Oficina Nacional de Procesos Electorales: <http://www.onpe.gob.pe>

Organismo Supervisor de las Contrataciones del Estado: <http://www.osce.gob.pe>

ProInversion:

<http://www.proinversion.gob.pe/1/0/modulos/JER/PlantillaStandardsinHijos.aspx?ARE=1&PFL=0&JER=859>

Superintendencia Nacional de Administracion Tributaria: <http://www.sunat.gob.pe>

Superintendencia Nacional de los Registros Publicos: <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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Agricultural Sectors

Mining Industry Equipment

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	1,395,361	2,227,477	2,372,263	2,517,599
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	95,393	96,292	102,551	108,704
Total Imports	1,490,754	2,323,769	2,474,814	2,626,303
Imports from the U.S.	575,091	649,300	691,505	732,995
Exchange Rate: 1 USD	2.891	2.809	2.78	2.78

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

Data Source: Global Trade Atlas

2010 Import Market Share (percent for U.S. and major competitors); U.S. 27.9; Brazil 15.6; China 10.5; Canada 9.7; Japan 8.9; Sweden 5.2; Germany 4.6; Mexico 3.3.

During the last quarter of 2010, production in the mining sector registered a drop of 3.5% as gold production decreased; the effect was somewhat compensated by a higher production of iron and zinc.

While production decreased, mining exports between January and October 2010 showed an increase of 34.7%, reaching US\$17.3 billion when compared to US\$12.8 billion for the same period in 2009. The rising prices of gold, silver and copper were the cause of this increase in the value of exports, as well as the high demand, especially from China.

During this same time-frame, imports increased by 43.1% due mainly to the acquisition of impact crushers and steel piping by Minera Chinalco Peru for its Toromocho Project.

According to the Canadian minerals information and consulting company Metals Economic Group, Peru is the Latin American country with the largest number of junior mining exploration companies and the third destination for mining exploration in the world, after Canada and Australia, based on the amount invested. Peru remains as an important destination for mining activity.

Key Mining Production Updates

Gold production diminished in 2010, as the two main producers Barrick Misquichilca (La Libertad) and Yanacocha (Cajamarca), have their mines' output decreasing with few years left in their life cycles.

Copper production dropped for the first 10 months of 2010 mainly due to a maintenance shutdown in Antamina.

Zinc registered a small increase between January and October 2010, following the April 2010 start-up of Minera Los Quenuales, Iscaycruz.

Silver production decreased when Minera Ares encountered a lower grade of silver in its Arcata (Arequipa) mine. Meanwhile, Volcan launched a new program to improve operations in its Cerro de Pasco unit, temporarily reducing the treated ore from 10,000 to 4,000 MT per day. It is important to emphasize that the Cerro de Pasco unit generates 30% of the company's silver production and 4% of the country's production.

As for the extraction of other metals, lead dropped due to lower production by the Volcán & Caudalosa mines. Tin decreased, due to lower mining activity by Minsur, in San Rafael (Puno). Molybdenum fell, due to reduced mining activity by Southern in Cuajone (Moquegua). However, iron extraction increased significantly reaching a record in production, following the high demands of the industrial sector in China.

During January-October 2010, investments in the mining sector reached US\$3.05 billion, a 40.6% increase from 2009. Investors have shown they trust the industry by increasing production capacity and encouraging the search for new reserves.

It is worth mentioning the investments of the following companies:

Xstrata Tintaya, US \$1,500M in the Antapaccay Project (Cusco); Buenaventura, an estimated US \$73M in the La Zanja Project, as well as the expansion and tailings treatment in Orcopampa (Arequipa); Yanacocha, in the engineering and design of Minas Conga and the expansion of the leaching pads in Chaupiloma Sur, and last, the Lumina Copper and the Rio Tinto activities in the exploration of the Galeno and the La Granja projects respectively.

Among the projects in the pipeline for 2011, Xstrata Tintaya will begin operations and invest US\$1,300 million in Antapaccay. Compañía Minera Quechua (Pan Pacific Copper Corporation & Nippon Mining) will be operational in 2013, following a US\$490 million investment. Norsemont Perú will start its Constancia (copper) project with a capital investment of US\$846 million; and finally, Minera Cuervo (Cuervo Resources, Canada) will explore iron deposits in Cerro Ccopane.

The Peruvian Institute of Nuclear Energy (IPEN) has announced that uranium deposits have been found in Puno, Huancavelica, Cusco, Ayacucho, Arequipa, Moquegua and Tacna in the south; Lima, Pasco, Junín in the central region and, Piura, Cajamarca and Ancash in the north.

Vena Resources, a private Canadian company associated with Cameco Corporation, dedicated to the production of uranium, has signed an agreement with IPEN and is working in Macusani, Puno.

According to various studies, there is an estimated 30,000 tons of uranium in known reserves and the possibility of additional deposits waiting to be exploited. Exploration of this source of energy is already undertaken by companies such as Cardero Resources, Solex Resources, Frontier Pacific Mining, Wealth Minerals, and Strathmore Minerals.

Sub-Sector Best Prospects

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

HTS Code	Description	%
8704230000	Dumpers designed for off-highway use G.V.W. exceeding 20 metric tons	10.7
847420	Crushing/Grinding machines for earth stone minerals	10.2
842951	Front end shovel loaders	8.6
870422	Vehicle Transport goods G.V.W. exceeding 20 metric tons	8.3
8704100000	Dumpers designed for off-highway use	7.0
8701200000	Tractors for towing designed for off-highway use	6.8
8429520000	Mechanical shovels, excavators and shovel loaders: machinery with a 360° revolving superstructure	5.3

With the acquisition of machines, vehicles, heavy equipment and tools, mining companies require assembly, maintenance, parts and operators' training.

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The Ministry of Energy and Mines (MEM) reports the existence of approximately 270 projects and prospects at different levels of research or exploration which will establish new deposits of gold, copper, lead, zinc, silver and iron, among other minerals. Forty projects are either confirmed or in development and are expected to be operational within the next 10 years. These projects will require an approximate investment of US\$41 billion. This portfolio will extend to 15 regions and require machinery, equipment, vehicles and tools, however 70% of the money invested will be directed towards copper mines, such as Las Bambas or Antapaccay (Apurimac) managed by Xstrata Copper; Quellaveco (Tacna), managed by Anglo American; or Mina Justa (Ica) managed by China Sci-tech Holdings. Xstrata will invest US\$ 4.2 billion in Las Bambas (copper) turning it into the largest mining project undertaken in the history of Peru.

The Ministry of Energy & Mines hopes to see these projects triple the annual production of copper in the next 10 years.

Due to the fact that most of these projects will begin operating in 2012, the mining sector will face uncertainties with the transition to a new government following the June 2011 presidential election, and will need to cope with the fluctuating prices of the minerals as the world slowly recovers from the last economic recession. These will be the main determining factors for the success of the projects.

Peru has a promising future in mining. According to the USGS, it is the third country with the largest reserves of gold, silver, copper and zinc. Only 10% of the territory has been explored and just 6% is currently in production. In addition, there are also several opportunities to invest in non-metallic mining, particularly in borates, diatomite, bentonite, phosphoric rock and travertine. Large scale operations in our country are found to be among the less costly to produce, an appealing benefit to mining companies.

Present legislation governing the mining activity in Peru guaranty legal stability and economic freedom to the private sector. The government, in its developing and regulating role, supports the private sector and encourages it to uphold the standards required to protect the environment and promote good relations within the surrounding communities. Mining companies have the possibility to sign legal agreements with the Peruvian government for a 10 or 15 year-period.

ProExplo 2011 – 7th International Congress of Prospectors and Explorers
Feb. 6-8, Lima
<http://www.proexplo.com.pe>

ExpoMaquinarias 2011 – Exhibition and Trade Show of Heavy Machinery
Jul. 6-8, Lima
<http://www.expomaquinarias.com>

Perumin - 30th Mining Conference, Extemin Trade Show
Sep. 12-16, Arequipa
<http://www.convencionminera.com/perumin30>
<http://www.convencionminera.com/perumin30/extemin/>

MinPro 2011 – III Meeting of Miners and Suppliers
Nov. 09-10, Lima
<http://www.minproperu.com>

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Central Bank: <http://www.bcrp.gob.pe>

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

Grupo Apoyo: <http://www.apoyo.com>

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

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

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

Energy and Mining Regulatory Agency – OSINERGMIN: <http://www.osinerg.gob.pe>

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

Plastic Materials & Resins

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	717,006	1,087,313	1,157,987	1,227,467
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	152,134	199,138	212,082	224,807
Total Imports	869,140	1 286,451	1,370,069	1,452,274
Imports from the U.S.	334,786	506,095	538,991	571,330
Exchange Rate: 1 USD	2.891	2.809	2.78	2.78

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

Data Source: Global Trade Atlas

2010 Import Market Share (percent for U.S. and major competitors): U.S. 40.1; Brazil 10.2; Colombia 10.1; Taiwan 7.3; South Korea 5.8; China 5.3; Mexico 2.8.

Peru showed a steady growth during the years 2007-2009 in the manufacturing sector of plastics products, with an estimated increase of 10.5% in 2010. The construction sector contributed with a high demand of PVC pipes showing a growth of 19.2% in 2010. Other products that were developed in the local market included PET containers for beverage (3.5% increase), flexible packing materials and containers (5.6% increase), and other products (15.9% increase.) Additionally, Peru exported flexible packing, PET preformed containers and polyethylene printed sheets, totalling US\$ 103 million, mostly to the neighboring countries.

Despite the good prospect in the local plastic industry, this sector will be facing some challenges as it will depend on the international hydrocarbons prices.

Sub-Sector Best Prospects

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

HTS Code	Description	%
3901	Polymers of ethylene, in primary forms	26.6
3902	Polymers of propylene or of other olefins, in primary forms	20.1
3907	Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms	15.4
3904	Polymers of vinyl chloride or of other halogenated olefins, in primary forms	11.1
3920	Plates, sheets, films, others	6.7
3906	Acrylic polymers in primary forms	3.7

3903	Polymers of styrene in primary forms	3.1
3919	Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastic, whether or not in rolls	3.0

During the January-November 2010 period, plastic resins and materials totalled US\$1,008 million, 59.1% increase from 2009. The imported volume grew 29.4% and the average price increased 23.5%.

Opportunities

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The plastics industry in Peru has an interesting growth potential in the medium term, both on the domestic demand as well as exports. With the boost of the construction sector, the manufacturing of PVC pipes will continue to grow as well as the production of PET containers and polypropylene products for the beverage and soft drink industries. Foreign investors from Chile, Colombia and Brazil and some local companies are interested in establishing new plants to manufacture plastic products in Peru.

PET bottled water concentrates 80% of the Peruvian market, followed by soft drinks, energy drinks, with an annual growth of 20%. There is still space to grow in the Peruvian beverage industry market at the provincial level, where the consumption of soft drinks is low if compared to other Latin American countries.

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Central Bank: <http://www.bcrp.gob.pe>

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

Manufacturer's Society - Plastic Committee: <http://www.sni.org.pe/comite025/index.htm>

Grupo Apoyo: <http://www.apoyo.com>

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

Construction Equipment

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	955,184	1,645,124	1,752,057	1,857,180
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	83,194	83,031	88,428	93,734
Total Imports	1,038,378	1,728,155	1,840,485	1,950,914
Imports from the U.S.	386,954	442,639	471,411	499,695
Exchange Rate: 1 USD	2.891	2.809	2.78	2.78

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

Data Source: Global Trade Atlas

2010 Import Market Share (percent for U.S. and major competitors): U.S. 25.6; Brazil 18.0; Canada 12.6; Japan 10.1; China 9.3; Germany 4.6; Sweden 4.4.

In the construction sector, there has been a consecutive growth and an increase of 15% is estimated at the end of 2010. This sector accounts for 6% of the country's GNP.

Several infrastructure projects were stagnant during the 2009 economic crisis; however, as private investments recuperate, a growth of 17.5% is foreseen and a renewed trust in public investments can be witnessed through a re-emerging infrastructure.

Among the projects contributing to this growth are the extension of the electric train connecting Lima and Callao, a turn-about for the Panamericana Norte Highway, a new depot for the port of Callao, new shopping malls in Lima and surrounding provinces, the remodelling of the National Stadium, construction and repair of roads and highways by the corresponding provincial authorities and the many urban development projects.

Also, in 2010, the MTC opened the Inter Oceanica del Sur Highway which extends 2,594 km with 352 bridges, a US \$1,881M investment. This Highway links 8 southern Peruvian provinces with Brazil, increasing production, employment and tourism between these areas.

In September of 2010, the MTC and Devianes signed an agreement transferring IIRSA Centro Highway to the private sector for a 25 period. The granted stretch expands 337 km. from the Ricardo Palma bridge to the towns of Oroya and Cerro de Pasco. Devianes estimates to invest US \$126M to rehabilitate, improve, maintain and operate Stretch 2 of IIRSA Centro Highway.

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

HTS Code	Description	%
87042300	Motor vehicles for transport of goods: Other, with compression-ignition internal combustion piston engine (diesel or semi diesel): G.V.W. exceeding 20 metric tons	14.4
847420	Crushing/Grinding Machinery for earth stone	13.7
8429510000	Mechanical shovels, excavators and shovel loaders: Front-end shovel loaders	11.5
870422	Motor vehicles for transport of goods: Other, with compression-ignition internal combustion piston engine (diesel or semi diesel): G.V.W. > 5 and < 20 metric tons	11.2
84295200	Mechanical shovels, excavators and shovel loaders: Machinery with a 360E revolving superstructure	7.1
84749	Sorter machinery, parts, cribs	5.9
8429110000	Bulldozers and angledozers, track laying	4.3

The Ministry of Transportation and Communications established PROVIAS NACIONAL, a special project targeting road construction, improvement, rehabilitation and road maintenance throughout the country. PROVIAS is in charge of 73 projects, 55% of which were initiated in 2010 and are expected to be completed by 2016. The estimated cost of these construction projects is S/5 091M Soles.

The Ministry of Housing, Construction and Sanitation has continued investing at the national level with diverse programs such as My Home Credits, Family Housing Bonus, Own Roof and Emergency Housing. In November 2010, it has promoted construction, improvement and financing of approximately 196,000 homes at national level and has awarded more than 759,000 property titles. The Ministry has also promoted and/or implemented 2,165 water and sanitation projects and continues to carry out plans to Improve Quarters/Slums and Villages as well as other social programs at the national level. Presently, housing shortage is approximately 2M units and, according to experts, 120,000 houses will need to be built in a year in order to meet the needs. Purchasing power has increased creating a growth of public investment in the housing sector and greater access to mortgages.

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The construction sector will continue its expansion with an estimated annual growth of 8% in the next few years. This expansion will be the result of a need for transportation and communications infrastructure (roads, bridges, ports, and airports), housing shortage in Metropolitan Lima and the outskirts as well as the expected growth of the mining and hydrocarbon sectors. According to recent polls, construction companies believe this sector is growing and that they are financially prepared to face the demands.

During 2011, Proinversion will continue awarding several concessions such as: the Autopista del Sol Tramo Sullana – Frontera con Ecuador, this highway will go through the provinces of Tumbes and Piura and reach Ecuador. It will require an investment of US \$443M. The Project Tramo Vial Desvio Ilo-Tacna-La Concordia, joining the provinces of Moquegua and Tacna, which will require an investment of US \$21.5M. The

Cajamarca-Bayovar train and the Ferrovia Transcontinental Brasil-Peru Atlantico Pacifico (Transcontinental Railway between Brasil & Peru). Concessions will be granted to the following harbors: Terminal Portuario Yurimaguas, requiring an investment of US \$44.1M; Pucallpa requiring US\$16.7M; San Juan de Marcona, US \$149M and the Terminal Norte Multiproposito del Callao, US\$ 884M. Another concession will be awarded to the Navegabilidad de Rutas Fluviales Yurimaguas-Iquitos (navigable route between Yurimaguas & Iquitos). As for the airport sector, a concession will be awarded towards the design, construction, financing, administration, operation, maintenance and exploitation of the New International Airport of Chinchero-Cusco, which will require an investment of US\$379M.

Economic growth in 2011 will determine investments in the public sector as well as in housing, commercial mining and industrial projects of the private sector which will, in turn, encourage increased purchases of construction equipment.

II Famericas 2011 – Industrial Equipment, Supplies & Services Trade Show
May 19-21, Lima
<http://www.thaiscorp.com>

ExpoMaquinarias 2011 – Exhibition and Trade Show of Heavy Machinery
Jul. 6-8, Lima
<http://www.expomaquinarias.com>

XVI Excon 2011 – Construction, Building Products, Environmental Engineering Trade Show
Oct. 6-9, Lima
<http://www.excon.com.pe>

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Central Bank: <http://www.bcp.gob.pe>

Cofide: <http://www.cofide.com.pe>

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

Grupo Apoyo: <http://www.apoyo.com>

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

National Provias: <http://www.proviasnac.gob.pe>

Private Investment Promotion Agency - PROINVERSION:
<http://www.proinversion.gob.pe>

Industrial Chemicals

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	519,158	634,432	675,570	716,211
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	248,415	428,467	456,317	483,696
Total Imports	767,573	1,062,899	1,131,987	1,199,907
Imports from the U.S.	229,569	336,278	358,082	379,567
Exchange Rate: 1 USD	2.891	2.809	2.78	2.78

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

Data Source: Global Trade Atlas

The chemical industry in Peru is one of the important suppliers for the mining, agro-industrial, fishing, textiles, metal-mechanic, and general industrial sectors. During the first 10 months of 2010, the chemical industry in Peru experienced a growth of approximately 12% due to the increased demand from both the local and the foreign markets. Exports of chemical products maintained an even growth all through 2010, with increased sales in ethylic alcohol, and polyethylene terephthalate. The main buyers were the Andean countries, Argentina, Brazil, Paraguay, and Uruguay.

Two new petrochemical plants are planned to be built in San Juan de Marcona, Ica by Orica Nitratos Peru. In December 2010, the Ministry of Production approved the Environmental Impact Study of the first ammonium nitrate plant. It is estimated that the construction of this plant will require an investment of US\$ 500 million and will yield 300 thousand tons of ammonium nitrate/year.

Indian Farmer Fertilizer Cooperative (IFFCO), an Indian Government entity is planning to expand its production of potassium hydro-chloride. With an investment of US\$200 million, IFFCO is contemplating the construction of a plant in Bayovar, Piura. It is estimated that the production of potassium hydro-chloride will be around 250,000-500,000 tons/year.

In July 2010, the U.S. company Dupont re-opened its business offices in Peru. Dupont is supplying, through its mining division, sodium cyanide, used for the extraction of minerals.

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

HTS Code	Description	%
2926	Nitrile-function compounds	7.5

3204	Synthetic organic coloring matter, whether or not chemically defined; preparations as specified in note 3 to this chapter based on synthetic organic coloring matter; synthetic organic products of a kind used as fluorescent brightening agents or as luminophores, whether or not chemically defined	6.0
3402	Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap, other than those of heading 3401	5.0
2837	Cyanides, cyanide oxides and complex cyanides	4.1
381700	Mixed alkybenzenes and mixed alkylanthralenes, other than those of heading 2707 or 2902	4.0
3206	Coloring matter nesoi; coloring preparations nesoi and others	3.9
2835	Phosphinates, phosphonates, phosphates and polyphosp	3.7
2930	Organo-sulfur compounds	3.6

Opportunities

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During the years 2008-2010, the chemical industry experienced a significant growth and competition. This sector will continue to grow, based on imports of industrial chemicals to cover the local demand. The mining sector is one of the main users of chemical products. Mining activity accounts for over 5% of Peru's GDP and more than 60% of its total exports.

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

Manufactures Society: <http://www.sni.org.pe>

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

Oil & Gas Field Machinery

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	473,415	497,602	529,946	561,743
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	43,541	58,208	61,992	65,711
Total Imports	516,956	555,810	591,938	627,454
Imports from the U.S.	194,147	185,867	197,948	209,825
Exchange Rate: 1 USD	2.891	2.809	2.78	2.78

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

Data Source: Global Trade Atlas

2010 Import Market Share (percent for U.S. and major competitors): U.S. 33.4; China 15.1; Brazil 14.9; Sweden 4.4; Argentina 3.9; Canada 3.6; Italy 3.1; France 2.9.

During January to November 2010, the hydrocarbons sector experienced an expansion of approximately 29% compared to last year's production. This sector has been increasing in activity with a liquid hydrocarbons production of 52.5 million barrels during January-November 2010, a rise of 8.6% from 2009. This was made possible by the block 88 Cashiriari field, which began production on July 4, 2009.

Natural gas production grew 99.4% in January-November 2010 compared to the same period of 2009, with a total production of 224 million cubic feet. This increase was due to the demand to meet the requirements of electric generation and of the liquefied natural gas plant operated by Peru LNG.

Oil and natural gas exports were of US\$2.4 billion during the months of January through October 2010, a 68% increase from 2009. In June of 2010 Peru initiated exports of LNG, providing 70% of its total exports to the U.S. and the remaining 30% to Mexico. Imports of capital goods increased by 126.2% due to the purchase of tubing and steel piping by Transportadora de Gas del Peru and Savia Peru.

Sub-Sector Best Prospects

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

HTS Code	Description	%
730511	Line pipe of a kind used for oil or gas pipelines	11.5
843149	Other: of machinery of heading 8426, of mobile lifting frames, straddle carriers and works trucks fitted with a crane and others	11.3
7304429	Other tubes of casing and production	9.7

843041	Sounding and drilling machinery	9.4
8431439000	Other: of boring or sinking machinery	9.0
843049	Other: offshore oil and natural gas drilling and production platforms	7.7
7307	Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron and steel	6.5
730419	Other tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	4.1

Recent Industry Developments

In October 2010, Perupetro, the Peruvian government oil & gas contracting agency, awarded 14 blocks for exploration and production. With these new concessions, Peru now exceeds the 100 contracts currently in force, 89 of which are for exploration, with estimated investments of US\$500 million. Several international companies such as the Repsol Exploracion-Ecopetrol-YPF consortium, Ecopetrol, and Emerald Energy participated in the bids and were awarded several blocks.

At the beginning of 2010, the Ministry of Energy and Mines (MINEM) stated that the proven natural gas reserves in Peru reached 16 trillion cubic feet (TCF). These reserves are in blocks 88 and 56 (Pagoreni) of the Camisea consortium, in the recent discovery of block 57 by Repsol, and in the northern region fields identified by BPZ and Savia. Being a new source of local demand, Peru has only used up 0.14 TCF of its reserves however, the MINEM estimates domestic market demand will reach 6.1 TCF in the next 20 years. This projection considers the supply needed for the electric power stations, the petrochemical plants, as well as the transportation and residential sectors.

In November of 2010, Pluspetrol Peru Corporation S.A., with blocks 88 and 56, became the first producer of natural gas generating 1,020 million cubic feet per day (MCFD). This yield represents 95% of the national production. Aguaytia Energy, with block 31-C, is the second with 21 MCFD for the month of November. Savia Peru, with block Z-2B comes in third place with 16 MCFD, also in November. Finally, Petrobras Energia, with block X, produced 12 MCFD while all other natural gas companies generated 8,125 CFD during the same month.

Petrobras, the largest Latin American oil company in terms of market capitalization, has chosen Peru as its second major foreign investment and is committed to spend US\$1.1 billion between 2010 and 2014; most of this investment will be targeted towards exploration. Meanwhile, Petrobras announced the discovery of 1.7 TCF of gas in block 58 however, a few days later PeruPetro affirmed that block 58 probably holds 3.4 TCF, double the amount previously announced. Although this will only be confirmed in 2012, 2011 should be a year of increased exploration.

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Within the next 4 years, Peru will triple its production of oil, natural gas and liquid gas producing the equivalent of 400,000 bpd of hydrocarbons instead of 160,000. In order to attain this goal it is imperative to develop the findings of 2005-2009, which include:

Situche (2005, light crude oil), San Pedro (2005, light crude oil), Buenavista (2005, heavy crude oil), Raya 3x (2006, heavy crude oil), Delfin 2X (2006, heavy crude oil), Kinteroni (2007, gas/condensates), Esperanza (2007, gas/light crude oil), San Francisco (2008, gas), Urubamba (2009, gas/condensates) and Santa Rosa (2009, shale gas).

ProInversion will run the process for the project to build a gas duct between Ayacucho and Trujillo, which requires a US\$1.6 billion investment. The pipeline will begin in Ayacucho and will cross through Junin, Lima, and Ancash before ending in Trujillo. ProInversion will also be in charge of calling for proposals for the construction of an oil hub in the Bayovar port. This project will increase daily production of oil in northern Peru.

Perupetro will open 11 blocks to tenders via private negotiations. The blocks have been promoted in both China and Europe however no contracts have yet been signed. Invitations to tender for oil exploration and production will soon expire and, according to Peruvian law they will return to Perupetro to be open to bidding once again. Some Arab countries seem interested and would participate in 2011 tenders.

Several private companies will proceed with their 2011 scheduled investments such as Olympic Peru, which plans to invest US\$170 million in the implementation of hydrocarbon projects as well as in the electricity generation in Piura between 2011 and 2012.

BZP and Savia are planning to invest to accelerate the process of off-shore oil exploration in blocks situated mainly in the northeast of Peru. Savia is committed to invest US\$2.5 billion in the following 6 years and has already committed to invest US\$1.88 billion this year in its block Z-2B with the intention to increase its oil production and develop a gas supply project.

The oil & gas sector will face uncertainties with the transition to a new government following the June 2011 presidential election. This fact and the international prices will be the main determining factors for the growth of the industry.

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Central Bank: <http://www.bcrp.gob.pe>

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

Grupo Apoyo: <http://www.apoyo.com>

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

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

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

Energy and Mining Regulatory Agency – OSINERGMIN: <http://www.osinerg.gob.pe>

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

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

Telecommunications Equipment

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	1,525,065	1,995,570	2,125,282	2,252,800
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	54,042	42,460	45,220	47,933
Total Imports	1 579,107	2,038,030	2,170,502	2,300,733
Imports from the U.S.	185,982	185,310	197,355	209,196
Exchange Rate: 1 USD	2.891	2.809	2.78	2.78

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

Data Source: Global Trade Atlas

2010 Import Market Share (percent for U.S. and Major Competitors): China 42.0; Mexico 15.9; U.S. 8.7; Brazil 4.4; Malaysia 3.6; South Korea 2.8; Taiwan 2.2.

The Telecommunications sector is one of the most dynamic in the Peruvian economy, growing as a result of the expansion of services to rural areas. It is estimated that investments will supersede US \$800M at the end of 2010, an increase of 23% from 2009.

The Supervising Agency for Private Investment in Telecommunications – OSIPTEL, directed its efforts towards lowering the cost of telephone calls in all sectors.

According to the National Statistics Institute - INEI, in the third quarter of 2010, 14% of Peruvian homes had access to the Internet, an increase of 1.5% from 2009. A breakdown for access to the Internet is as follows: 29% in Metropolitan Lima, 11.1% in the outskirts, and 0.4% in rural areas. The same statistics showed 27.5% of Peruvian homes had access to cable TV, an increase of 3.1% from 2009. Meanwhile, mobile service increased 6.4% with expanding accessibility to 75.2% of the population.

As the year unfolded, diverse initiatives to expand services beyond mayor cities began gaining strength. This is an important issue since Peru's geography is made up of 60% jungle, thus difficult to reach. The "package deal war" continues and it may include mobile devices in the near future.

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

HTS Code	Description	%
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8517	Electrical apparatus for line telephony 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	32.3
8528	Reception apparatus for television, whether or not incorporating radiobroadcast receivers or sound or video recording or reproducing apparatus; video monitors and video projectors	19.9
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	5.8
8536	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits, for a voltage not exceeding 1000V	5.3
8523	Prepared unrecorded media for sound recording or similar recording of other phenomena, other than products of chapter 37	4.7
8525	Apparatus for radio television, television camera and recorder	4.1
8527	Reception apparatus for radiotelephony	3.6
8537	Boards, panels, electrical switches and N/C apparatus and others	3.1

Telephone Service

By June of 2010, the number of fixed telephony service lines had decreased by 1% from December 2009 levels, to a total of 2,167,211. 63% of the geographic distribution of the service is concentrated in the department of Lima, which has a tele-density of 19.7% lines per 100 inhabitants. Next are the departments of Arequipa and La Libertad which have telephone densities of 11.5% and 10.0% respectively. Telefonica del Peru S.A.A. continues to be largest operator in Peru and holds 74% of lines in service. The rest of the percentage is distributed among 14 operators, including Telefonica Moviles S.A. (former Bellsouth), which holds 18% of total lines.

Regarding fixed lines, OSIPTEL approved the new Factor de Productividad (Productivity Factor) a rebate of 5.98% on annual fees in telephone line installation, service, local and long distance calls. This rebate was effective as of September 2010 and will expire in August 2013. OSIPTEL estimates customers will save US \$17.67 million.

Mobile telecom service registered a total of 27,099,375 lines by the end of June 2010, representing a 9.7 % growth in the number of lines from December 2009. The density of mobile publicly available services is 95.5 lines per each 100 inhabitants. The region of Lima and the neighboring province of Callao account for 47.6 % of the total number of lines, followed by Arequipa and La Libertad, each of which has 5.5 % of the total number of installed lines nationwide. Telefonica Moviles S.A. (Spain) continues to have the largest market share with 63.2% of the nation's total mobile lines. It is followed by America Movil Peru S.A. (Claro/Tim - Mexico) with 33.2% of the market share and Nextel del Peru S.A. with 3.6% market share.

In September of 2010, Telmex and Claro (América Movil) merged their operations, strengthening the standing of the Mexican company in Peru. In practice, this merging only applies to shareholders however, at the administrative level both companies will work independently. This merge is a strategy to become competitive in the region restructuring and offering customers a wider variety of services.

Also in September, the Area Virtual Movil brought about changes in service fees nationwide; long distance codes (LDN) were eliminated so that calls made from anywhere in Peru now became local calls. Customers can now save 36% up to 53%, depending on the package chosen.

In October, a system named Llamada por Llamada (“call by call”) was implemented, enabling cellular customers to choose their LD operator. This reduced service fees by increasing competition between Movistar, Claro (America Movil) and Nextel (NII Holdings).

Telefonica also announced a 50% cut on service fees between fixed and cellular Movistar phones beginning January 2011. According to this announcement, rates would drop to S/.0.70 per minute (US \$0.25), the lowest fee in the market. As well, Telefonica plans to apply consecutive fee reductions every 6 months, following an agreement with OSIPTEL.

Internet

A Multisector Commission was created to develop a national plan for the expansion of broad band services (Plan Nacional para el Desarrollo de la Banda Ancha). Led by the Ministry of Transport and Communications, the Commission assessed barriers restricting the development of broad band in the country and established the need for fiber optics as the main means of transmission for this kind of service. However, a limited deployment throughout the territory prevents the uniform expansion of the broad band. For the first time in the country, a project to expand to rural areas has been granted. ProInversion awarded the concession to the Mexican company, America Movil, who borrowed US \$8.9M from Fitel (Telecommunications Investment Fund) to finance the Rural Wide Band project. America Movil will install a fiber optic network of 471 km servicing 370 rural communities in Puno (next to Bolivia) and Madre de Dios (next to Brazil). Besides broad band, America Movil will offer public and private telephone and internet services, as well as training in the use of this new technology.

Fitel will also lend S/100M soles (approx. US \$35M) to help finance the “Moviles” project. This project will establish fixed, wireless and Internet services to several communities in the Peruvian jungle. The project will comprise 3 developing stages: North, Center and South-Center and will be allocated to only one service provider. ProInversion will be responsible for invitations to tender and the respective selection.

At the start of 2010, Telefonica del Peru announced the implementation of a fiber optic network throughout the Peruvian mountain region, an investment of approximately US \$1,300M during the next 5 years. So far, it is the only company that has reached this area, touching 3 towns: Cajamarca, Huancayo and Puno. Telefonica owns the largest telecommunications network extending 4,008 km. followed by Telmex/Claro and America Movil extending 3,225 km. each. These last 2 companies, which are in the

process of merging, deployed a fiber optic network through the Peruvian coastline, a US \$110M investment.

Cable TV

There are more than 220 pay-TV concessions spread among 120 companies nationwide. More than 20 entities, mostly national investors, are added to the market annually. Besides the 3 main operators, Cable Magico (Telefonica), DirecTV and Telmex, other national service providers such as Cable Vision, Cable Zofri, Super Cable, Television San Martin and Econo Cable, are gaining access into the market and presently servicing at least 2 provinces.

The subscribers of cable TV are approximately 11% of households from December 2009 to mid 2010. The market for cable TV subscribers will experience a growth from 8% to 10% in the near future.

In order to meet this demand, Telefonica plans to launch DTH pay-TV service to areas where cable is unavailable. This company has also invested over US \$10M to improve HDTV service.

Television Digital Terrestre (Land Digital TV) will be available in 2011 at the provincial level. The first towns to benefit from this service will be Arequipa, Cusco, Trujillo, Piura, Chiclayo and Huancayo. In 2009, Peru adopted the Brazilian-Japanese ISDB-T system to bring digital technology to the country.

It is estimated that by 2012, Lima will have 8 more digital TV channels, advancing the transition to digital TV by 2 years. At this speed, analog TV may be “a thing of the past” by 2022.

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Backbone networks have been deployed in the Peruvian coast but not in the mountains or the jungle resulting in a lack of networking, either to transmit information or to access it. Broad band reach was then difficult to implement in rural areas because, traditionally, most infrastructures have been developed along the coast mainly due to the fact that financial activity is widely spread here. However, new technology will bring a long expected change.

Great business opportunities are then in view for companies specialized in establishing telecommunications in rural areas. Since 80% of the mountain region has no traditional telephone coverage, new satellite technology, IP communication, Iridium and Inmarsat technology may be able to service these isolated areas. Many of these alternatives will be useful for mining and construction companies as well as other companies located in remote areas.

The concession for a C band of 1,900 MgHz (25MgHz spectrum) has been expected since 2008 but was postponed by ProInversion till 2010. This grant will allow a fourth mobile service provider at the national level. ProInversion anticipates inviting tenders for a 10.5 GgHz band project that will make it possible to send a mobile signal from one end of Lima and Callao to the other, improving the quality of the service. The selected

service provider will not cater to customers but to other mobile service providers to enable an increased capability of transmission and access to internet service.

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Central Bank: <http://www.bcrp.gob.pe>

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

Grupo Apoyo: <http://www.apoyo.com>

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

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

Private Investment Promotion Agency - PROINVERSION:
<http://www.proinversion.gob.pe>

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

Telecommunication Investment fund - FITEL: <http://www.fitel.gob.pe>

Pumps, Valves & Compressors

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	406,936	390,408	415,784	440,732
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	17,248	12,182	12,974	13,752
Total Imports	424,184	402,590	428,758	454,484
Imports from the U.S.	168,808	146,678	156,212	165,585
Exchange Rate: 1 USD	2.891	2.809	2.78	2.78

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

Data Source: Global Trade Atlas

2010 Import Market Share (percent for U.S. and major competitors): U.S. 36.5; China 10.3; Italy 8.6; Brazil 6.1; Germany 6.11; Argentina 4.8; Canada 3.1.

The U.S. has been Peru's main trade partner and this applies also to the supply of pumps, valves and compressors. This field has gradually increased by the steady economic growth of the country, and through the implementation of several new projects.

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

HTS Code	Description	%
841370	Other centrifugal pumps, nesoi	11.5
841391	Parts of pumps: of fuel-injection pumps for compression-ignition engines, of stock pumps imported for use with machines for making cellulosic pulp, paper or paperboard and others	8.7
8481809900	Other appliances for pipes, boiler shells, tanks	6.6
841490	Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan; parts thereof	6.3
8414802200	Other compressors with high level power	5.5
8481804000	Spherical valves for tubes, cauldrons	4.6
841330	Fuel, lubricant/cooling medium pumps for piston engines	4.3

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By late 2010 and into 2011, economic activity and demand for industrial products have shown strong growth. GDP estimations are 7% in 2011 and 6% in 2012. This trend will favor investment and spending on capital equipment in the mining, and in the oil and gas

sectors, as well as for infrastructure works involving hydro-energy and irrigation developments. The construction sector also continues the strong growth showed during the last years.

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Central Bank: <http://www.bcrp.gob.pe>

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

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

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

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

Air Conditioning & Refrigeration Equipment

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size				
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	7,336	6,313	6,724	7,127
Total Imports	293,235	297,865	317,227	336,260
Imports from the U.S.	84,663	52,948	56,390	59,774
Exchange Rate: 1 USD	2.891	2.809	2.78	2.78

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

Data Source: Global Trade Atlas

2010 Import Market Share (percent for U.S. and major competitors): U.S. 17.8; China 13.7; Mexico 10.1; Colombia 9.3; Brazil 7.4; Chile 5.4; Indonesia 5.3; Italy 5.0.

The steady economic growth of our country has been a determining factor in generating new investments and projects in this area, as new opportunities open up for industrial development.

The market reflected a clear tendency for more efficient and energy saving equipment, mainly in lower and medium temperature evaporating systems. There is a variety of foreign technology being offered, providing customers with a wide range of price, quality and technology to choose from.

A recovery in the field of industrial refrigeration has been seen. Refrigeration has developed in areas such as the cold chain in the logistics and distribution areas. The need for the implementation of this kind of equipment in the fishery, agro-industry, pharmaceutical, chemical and food product markets has contributed to the development of the cold chain.

As the demand in the sector grew, the diverse systems of refrigeration improved and expanded from Lima to cities such as Trujillo, Chiclayo, Ica, Tumbes, Tacna and Juliaca.

The agro-industry field has implemented installations of cold chain at the increased demand of foreign and local markets, to export fresh produce such as asparagus, artichokes, avocados, grapes, mangos and citric fruits as well as to meet the local demand for deli-products, meat, and milk products. There has also been increasing requests for frozen food, mostly fruits offered as juice, sliced or diced, bringing companies to expand refrigeration plants, storehouses and to offer a wider variety of products. As a result, distribution centers and supermarkets have had to expand their installations.

The air conditioning sector is probably one of the most appealing. With the growth of infrastructure, whether real state, or industrial developments, the need for this kind of service has increased and a high degree of automation has been achieved.

Sub-Sector Best Prospects

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

HTS Code	Description	%
841810	Combined refrigerator-freezers with separate doors	27.5
84185000	Other furniture (chests, cabinets, display counters, show-cases and the like) for storage and display	10.6
841899	Other: Parts of combined refrigerator-freezers fitted with separate external doors and parts of household type refrigerators	8.4
841490	Other air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted with filters; parts thereof	7.4
841869	Other refrigerating or freezing equipment; heat pumps: Heat pumps other than air conditioning machines	5.8
841821	Refrigerators, household, compression type	5.0
8414809	Vehicles compressors	4.4

As customers are now seeking high quality and the latest technology a very competitive market is developed. American, European, South-American and Asian companies, all seek to offer good quality products for the best price. Asian companies are dominating the market by winning premium clients, benefiting from this window of opportunity.

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A 10% increase in the air conditioning and refrigeration equipment industry is expected in 2011. The country's economic growth will attract new investments especially in the mining, construction, tourism, business and agro-industry sectors. As these areas expand, the demand for air conditioning and refrigeration equipment will also increase.

Agro-industry is and will remain one of the main areas where refrigeration will play an important role as the industry depends on it for its development and growth.

Likewise, the fridges which provide refrigeration and storage service to others will be forced to upgrade their equipment and refrigeration systems and air conditioning.

Various other industries, the pharmaceutical one for example, are increasing the demand of refrigeration for the purposes of freezing and storage.

When competing in the Peruvian market, various aspects, such as reasonable prices, quality equipment, high technical standards, technical support and parts, should be

considered. Remember that sales do not end with the delivery of a product but start with follow-up service.

Expoacuicola 2011 – II International Aquaculture Exhibition

March 3 – 5, Callao – La Punta.

<http://www.targetcomunicaciones.com.pe/expoacuicola/>

Feria Industrial de las Americas 2011 – Industrial Equipment, Supplies & Services Trade Show

May 19 – 21, Lima

<http://www.thaiscorp.com>

Envase/Alimentek Peru 2011 – International Packaging, Process Technology, Warehousing and Distribution Logistics Exposition

September 20 – 23, Lima.

<http://www.envaseperu.com>

Expo Pesca 2011 – Technical event in Fishing and Aquaculture

November 12 – 14, Lima

A three days Technical Conference Program will be also held during the frame of Expo Pesca and it is addressed to Directors, Managers, Assistant Managers, Supervisors & specialized personnel of the industry of Fishing & Aquaculture.

<http://www.thaiscorp.com>

Web Resources

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

Manufacturers Society: <http://www.sni.org.pe>

Ministry of Agriculture: <http://www.minag.gob.pe>

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

Private Investments Promotion Agency - PROINVERSION:

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

Computers & Peripherals

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	380,282	463,904	494,056	523,701
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	3,953	3,654	3,892	4,125
Total Imports	384,195	467,558	497,948	527,826
Imports from the U.S.	37,941	36,727	39,114	41,461
Exchange Rate: 1 USD	2.891	2.809	2.78	2.78

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

Data Source: Global Trade Atlas

2010 Import Market Share (percent for U.S. and Major Competitors): China 68.2; Mexico 12.9; U.S. 7.9; Thailand 1.8; Singapore 1.4; Malaysia 1.3; Japan 0.9.

The computers and peripherals sector reached an approximate growth of 14% in 2010. This was mostly as a result of an increase in residential purchases, the business sector coming out of the financial crisis and technological improvements made by the MYPE's (Micro and Small Enterprises). There were also some business consolidations, merging national first level or big companies on second level distributors and/or international companies, to begin operations and strengthen their presence in the market.

Easy access to internet technology has revolutionized the computer market in Peru. It is estimated that in 2010, 1.2M lap tops were sold, matching the total sales of the last 4 years. Noticeably, desktops are becoming "obsolete" in the buyer's mind and though assembled equipment still persists in the PC market, the competitive prices of notebooks have drawn in greater sales.

The Peruvian IT market has a significant geographic digital divide, with largely untapped markets beyond the capital Lima, which accounts for at least 80% of all PC sales. Per capita IT spending is projected to grow to US\$66 by 2014, from around US\$42 in 2010. The regional structure of the market will evolve, with slower growth likely in Lima, compared with the Peruvian provinces.

Multinational vendors continued to dominate the PC market, with the growth rate of notebook imports outpacing that of general notebook sales. US giant HP was the leader both in the imported notebook category, and took top spot in the overall notebook market too. Meanwhile Toshiba was reportedly considering making Peru its Latin American hub and said that it expected Peru to become its biggest market for notebook sales within two years. Asus, a well-known Taiwanese company, who was the first to introduce notebooks/mini-laptops, joined the market in mid 2010 and established its presence in the Peruvian market by signing a strategic partnership with the local Retail Partners,

In August 2010, the Peruvian government reached a Free Trade Agreement with South Korea, which is expected to help South Korean companies to expand their presence in the market. The Korea-Trade- Investment Promotion Agency said computer exports were expected to increase sharply after the agreement came into effect. The agreement should provide a boost to Samsung, LG and other Korean PC vendors.

Sub-Sector Best Prospects

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

HTS Code	Description	%
847130000	Portable digital auto data process machine, < = 10 kg; processing units	50.3
8471500110	Processing units other than those of subheading 8471.41 or 8471.49, whether or not containing in the same housing one or two of the following types of unit: storage units, input units, output units with cathode-ray tube (CRT)	
847150	Other processing other than those of subheading 8471.41 or 8471.49, whether or not containing in the same housing one or two of the following types of unit	21.5
847170	Storage units	12.6
847160	Input or output units, whether or not containing storage units in the same housing	4.3
8471490000	Other automatic data processing machines entered in the form of systems	3.8
847180	Other units of automatic data processing machines	3.7

Despite the market growth shown in the past years, personal computer ownership remains low. According to statistics by ENAHO (National Household Survey), during the last quarter of 2010, 23% of homes owned a personal computer, an increase of 1% compared to 2009; 74% of homes with PC's purchased them between 2006- 2010 and the remaining 26% in 2005. In Metropolitan Lima, 54% of the population has access to the Internet, in the outskirts 39% has access, and in rural areas only 11.1%.

Statistics also showed that 60% of those who have access to the Internet use public internet booths which is a drop of 6.9% from 2009. 31.4% use the Internet at home, 15% at work and only 9.8% (2.6% more than in 2009) access the internet in an educational center. There is a continuous growth (4.3% the last quarter of 2010) in access to the Internet at home as a result of an increased offer from service providers.

The Peruvian government's project "One Laptop per Child" will contribute with 260,000 XO laptops to the educational system for a total of 590,000 OLPC laptops to be distributed within the country. This is a step forward in the government's initial plan to offer a laptop XO to every child in primary schools. Among the 260,000 laptops there is the new XO 1.5 model, with a pivoting screen that turns it into a Tablet PC and a keyboard resistant to dust and water. This new model also has a hard plastic cover and includes anti-theft software. The OLPC XO technology is considered to be the most

appropriate for Peruvian children taking into consideration their social background, learning style and the distribution of the classrooms.

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According to the latest projections for 2011, it is estimated that laptop sales will increase 80% boosted by the demand for higher quality, functionality and more sophisticated equipment, disregarding prices.

Government programs and demand outside the capital Lima are likely to fuel growth over the next few years. The level of ICT used by municipal and provincial governments is low by regional standards and investments are likely to increase in the near future. Areas of opportunity could include health, pensions, tax and e-government projects, as well as affordable computer and other digital divide programs.

The 6 allocated grants in the telecommunication sector will allow broader access to high speed internet in remote areas benefiting computer sales. Also, this area has great potential for growth since the outreach is less than 24 computers per 100 residents. It is foreseen that, by the year 2016, approximately 4M connections at local level will be implemented, which is 4 times the current outreach.

Any company wishing to compete in the market should consider all possibilities: companies ranging from big enterprises to small & medium companies (PYMES); the government; the education field and the retail market. PYMES and the retail sector are key areas to introduce a new brand into the market.

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Central Bank: <http://www.bcrp.gob.pe>

Huascarán Project: <http://www.huascarán.gob.pe/web/vistante/inicio>

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

Grupo Apoyo: <http://www.apoyo.com>

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

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

Private Investment Promotion Agency - PROINVERSION:
<http://www.proinversion.gob.pe>

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

TRENDS

The year 2011 highlights Peru's 13th consecutive year of economic growth. Between 1999 and 2011, the GDP increased from US\$36 billion to US\$170 billion, almost a fivefold raise, and it is expected to exceed US\$200 billion by 2014.

The latest forecasts expect all sectors to continue their growth during 2011 and 2012, especially in the areas linked to local demand and investments. Growth is anticipated in the construction, manufacturing, trade and several other services sectors.

Fisheries

- This sector is expected to get investments of US\$ 500 million by the end of 2011, as a result of environmental improvements, the installation of new plants, as well as the expansion and renovation of factories and vessels. Exports are estimated to reach US\$2 billion in 2011.
- Aquaculture has grown an average of 22% during the last years with products such as clams, shrimp, trout, tilapia fish and others. The year 2011 promises to be one of favorable conditions for development and increased exports with the contribution of new investments.

Energy

- At the end of 2011, the Ministry of Energy and Mines (MINEM) will present the regional energy assessments which will become the tools to plan for development in this sector. These assessments will encourage the development of new projects for 2012.
- The MINEM will also promote and finance construction of small hydro electrical stations at the national level, assisted by the US\$5 million given to the Peruvian government by the Global Environment Fund.
- The year 2011 will be one of multiple constructions. The mining company Volcan, through its subsidiary Empresa Administradora Chungar, will begin building a 110 MW hydroelectric plant in Chancay (Lima). Isa, a Colombian company, received the award to start construction of the 220 kV electrical circuit Machu-Picchu-Abancay-Cotaruse. The construction will begin in 2012 with an estimated investment of US\$62 million.

Construction

- The construction industry will remain growing above 10% for the next couple of years. Housing development will remain strong, as well as hotel construction. Investment in hotels is expected to increase 300% in 2011. In the 2009-2013 period, investments in hotels is expected to reach US\$ 1,230 million, in the construction of 168 hotels at a national level. While in Lima the focus will be on the business traveller, in southern Peru it will be servicing the tourist.
- 2011 will be a decisive year in the cement industry: an increased demand will require well-established companies to become more aggressive as new ones join

the fight to make their way in this competitive market. Demand growth is taking main cement companies to expand their plants. Cementos Lima is investing US\$ 230 million to expand its Atocongo facility while Cementos Pacasmayo considers building a third factory in Piura. Cementos Yura, a branch of the Gloria Group, will upgrade production and continue exporting to Bolivia and Brazil.

Retail

- This is a promising sector, considering the projected construction of new malls and strip malls & supermarkets. Among these are Quinde, the first open aired shopping center in Ica, an investment of US\$ 10 million. There is also the expansion of several supermarkets in Lima as well as in several other provinces. The Chilean Almacenes Paris, Cencosud, and other strip malls will be coming to Lima. Also a new mall and recreation center is planned in Huánuco, with an estimated investment of US\$ 30.5 million.

Banking and Insurance

- Financial institutions will continue their strategy of reaching the lower socio-economic population and small companies as well as consumers.
- The economy's steady growth is encouraging the development of new insurance coverage and is expanding the need for insurance to various sectors at the national level.
- Personal insurance and the provinces are believed to be the basis for insurance growth.

Product Statistics & Data (PS&D) Code: Hard Wheat (1000 MT--not \$ value)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Market Size	1,695	1,686	1,960
Total Local Production	175	200	200
Total Exports	0	0	0
Total Imports	1,520	1,486	1,760
Total Imports from U.S.	410	364	750

Comments: Peru produces about 200,000 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 2010 was 42 percent of total imports. Other important suppliers are Argentina and Canada. Wheat imports into Peru are duty free. A 19 percent value-added tax remains in place.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Market Size	132	83	100
Total Local Production	79	37	30
Total Exports	3	1	1
Total Imports	56	47	70
Total Imports from U.S.	54	46	70

Comments: Peruvian textile and apparel exports to the United States are expected to recover from the contraction which resulted from the international crisis reaching \$1.25 billion in 2010. FTA grants duty free access to Peruvian textiles.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Market Size	2,710	2,757	3,050
Total Local Production	1,190	1,258	1,230
Total Exports	0	0	0
Total Imports	1,520	1,499	1,820
Total Imports from U.S.	215	572	749

Comments: U.S. corn exports to Peru had a duty free TRQ of 530,000 MT in 2010. This TRQ will increase 6 percent per year until reaching unlimited duty free access. The sharp increase of U.S. yellow corn exports, which begun in 2009 is due to this 9 percent tariff advantage. Consumption of yellow corn in Peru is mainly for poultry production. At about 32 kilograms per capita, consumption of poultry is one of the highest in the region.

Another good prospect is Dried Distillers Grain. Peru imports corn from Argentina and the United States. Corn imports are assessed 9 percent duties plus a 19 percent VAT.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Market Size	728	687	945
Total Local Production	1	0	0
Total Exports	0	0	0
Total Imports	727	816	945
Total Imports from U.S.	13	182	250

Comments: Peru imports soybean meal primarily for poultry feed. Paraguay continued to be the leading soybean meal exporter to Peru in CY 2010 with 46% of market share; U.S. exports continued to be strong in 2010 due to a 12 percent price reduction and The U.S. – Peru Trade Agreement, which grants trade preferences to U.S. corn, encouraging importers to ship U.S. soybean meal to complete cargos. Soybean meal from all origins enters Peru duty free.

Dairy Products

Whey (MT)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Market Size	6,447	6,198	7,855
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	6,447	6,198	7,855
Total Imports from U.S.	2,341	888	2,513

Comments: Total whey imports into Peru increased 27 percent in 2010. U.S imports recovered 257 percent with respect to 2009, leaving the United States as the major supplier with 32 percent of the market share. Chile (26 percent) and France (19 percent) are the second and third major suppliers respectively.

Cheese (MT)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Market Size	15,265	18,484	14,813
Total Local Production	15,700	16,500	12,400
Total Exports	23	21	34
Total Imports	1,900	2,005	2,447
Total Imports from U.S.	750	1,017	1,143

Comments: In 2010, Peru's cheese imports will be around 2,447 MT. Imports from the United States account for 47 percent of the market. Uruguay and Argentina account for 17 percent and 14 percent respectively of Peru's cheese imports. A trade agreement gives a tariff rate quota 2,500 MT with 12 percent increase per year.

Beef and Offals (MT)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Market Size	253,149	225,263	262,081
Total Local Production	235,900	207,892	241,985
Total Exports	40	15	22
Total Imports	17,289	17,386	20,118
Total Imports from U.S.	4,005	4,373	4,908

Comments: In 2010, total imports reached 20,118 MT, a 16 percent increase from the previous year. It is estimated that in 2010 U.S. beef and offal exports to Peru will reach \$9.4 million. This 57 percent increase resulted from the trade preferences granted in the U.S. - Peru Trade Promotion Agreement (PTPA).

Pet Food (MT)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Market Size	37,270	38,797	41,020
Total Local Production	33,000	33,780	34,080
Total Exports	6,342	5,018	5,050
Total Imports	10,612	10,035	11,990
Total Imports from U.S.	2,410	1,942	2,040

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. Though sales have not increased at the same rates as in past years, they are still growing, stimulated by local brands that are expanding their market. In 2010, Colombia, Argentina and the United States were major exporters to Peru with 44, 35 and 17 percent, 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 53.9% of the items in its tariff schedule (3,979 codes covering some agricultural and intermediate goods, parts, 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); 9% duties on 35.4% of the items (2,609 codes mainly consumer goods, and some intermediate goods); and 17% duties on 10.7% 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 5% (including surcharge), down from over 60% in the mid-1990's.

Most imports (95% of codes) are also subject to a 18% value added tax, 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 (variable levy) on some basic agricultural commodities, with rice, corn, sugar and dairy products still being taxed. 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. As a condition for disbursement of a trade-sector loan from the Inter-American Development Bank, the Peruvian Government agreed to phase out the surcharges over a three-year period ending in 1997. 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 one used by the Andean Community. Currently, due to high international prices, the surcharge under the price band system is zero.

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 the Andean Community (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: <http://www.aladi.org/Nsfaladi/normimp.nsf/wvnormasp/Per%C3%BA>. 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 six months. During that period the importer can pay the duties on the goods kept in the warehouse and clear customs 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 any 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, tax payer's identification (R.U.C.), the list of products requested and per 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 an extremely small 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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Goods can be admitted into Peru temporarily for re-export within a year with a bond that guarantees the duties and taxes. 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 R.U.C. Law 28405 of November 30, 2004 requires labeling for value-added products other than foods, which could be included in the future. 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 taxpayer's identification (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 INDECOPI is responsible for food and beverage labeling inspection 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 (Peru's Consumer Defense Institute) 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. Importation of some insecticides, fireworks, and 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. Used tires are also prohibited. 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. A Customs Law was promulgated in April 1996 to consolidate these reforms.

Imports with an FOB value over 3 UIT (taxable reference unit by its Spanish acronym) pay a fee of 2.35% of one UIT for valuation service. For 2010 one UIT is 3,600 Nuevos Soles (approx. US\$1,240.) In practice Customs is applying a US\$30 flat valuation fee.

Despite having signed the WTO customs valuation, Peruvian customs uses a referential price verification system (SIVPEP by its Spanish acronym.) 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 SIVPEP database. If prices in SIVPEP 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 address 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) 315-3300, Fax (511) 315-3318

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

Ms. Nahil Hirsch – National Superintendent

Mr. Ricardo Toma – National Deputy Superintendent of Internal Taxes

Av. Gamarra 680, Chucuito, Callao, Peru

(511) 219-5150

Website: http://www.sunat.gob.pe/aduanas/version_ingles/index.html

Ms. Gloria Luque – 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:

- a) Approve technical standards and metrology norms.
- b) Qualify the public or private institutions that will provide conformity assessments.
- c) Defend free trade under WTO-TBT commitments.

Standards Organizations

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

- a) Committee for Testing Methodology
- b) Committee for Water Meters Testing
- c) Committee for Testing Laboratories
- d) Committee for Product Certifying Organizations
- e) Committee for Metrology Services
- f) Committee for Quality Management Accreditation
- g) Committee for International Standards Norms.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers

an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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

- a) INASA- Phone: (511) 616-5200, <http://www.inassagroup.com.pe>
- b) SGS del Peru: (511) 517-1900, <http://www.pe.sgs.com>
- c) BSI Inspectorate Peru: (511) 613-8080, <http://www.inspectorate.com.pe>
- d) EQUAS S.A.: (511) 349-4050, equas@infonegocio.net.pe,
equas_lab@infonegocio.net.pe.
- e) 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/preguntas/preguntas_formularios.asp

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 regarding 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 or importer or distributor, expiration date, conservation method, weight in metric system and 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:

Sheryl Maas, Commercial Counselor

Gustavo Romero, Commercial Specialist

Phone: (511) 618-2442, 434-3040, fax 434-3041.

Trade Agreements

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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 postponed implementation.

Within the framework of the Latin American Integration Association (ALADI), Peru has signed bilateral trade agreements with Argentina, Brazil, Cuba, Mexico, Paraguay, and Uruguay. Tariff concessions under most of these agreements are relatively limited. Peru's 1998 ALADI agreement with Chile evolved into a fully comprehensive agreement. In 2004, Peru and Chile began negotiations for a more comprehensive agreement that would strengthen its trading relationship. Peru and Chile signed the agreement in 2006, and the agreement entered into force on March 1, 2009.

Peru is a member of the WTO and became a full member of the Asia Pacific Economic Cooperation (APEC) forum in November 1998. In 2011, Peru and the European Free Trade Association (EFTA) signed a free trade agreement. Peru signed a free trade agreement with China, and entered into force agreements with the United States, Canada, and Singapore. Peru signed a partial free trade agreement with Thailand in November 2005 with a second Additional Protocol signed in November 2009. A free trade agreement between Peru and South Korea will come into effect in July 2011.

The Peruvian government is finalizing a free trade agreement with Japan. Peru and Central American countries (Guatemala, Honduras, El Salvador, Costa Rica, and Panama) are negotiating a free trade agreement. Peru and the EU concluded negotiations on a free trade agreement in 2011. That agreement is expected to enter into force in early 2012.

In 2002, the United States renewed and expanded preferential duty rates granted to Peru under the Andean Trade Preference Act (ATPA) of 1991. U.S. Congress has extended the expanded agreement, the Andean Trade Promotion and Drug Eradication Act (ATPDEA), through June 2011. The ATPDEA now runs concurrently with the PTPA which entered into force on February 1, 2009. ATPDEA allows unilateral duty free access to the U.S. market for 6,300 products (including items such as textiles, handicrafts and tuna).

Peruvians and Americans benefit from the U.S.-Peru Trade Promotion Agreement (PTPA). The United States and Peru signed the 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. Peru is currently the 33rd largest export market for U.S. goods, with U.S. exports of almost US\$4.9 billion in the year to September 2010, an increase of 35 percent from the level of the same period of 2009.

Web Resources

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http://www.ustr.gov/Trade_Agreements/Bilateral/Peru_TPA/PTPA_Implementing_Legislation_Supporting_Documentation/Section_Index.html

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Chapter 6: Investment Climate

For information on the investment climate statement of the country, please follow the link below to the U.S. Department of State web site.

<http://www.state.gov/e/eeb/rls/othr/ics/2011/157342.htm>

Corruption

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

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

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

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

<http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention

against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Generally all countries prohibit the bribery and solicitation of their public officials.

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

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (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.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its states' parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>).

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco).

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>. Peru has a free trade agreement (FTA) in place with the United States, the United States-Peru Trade Promotion Agreement, which came into force on February 1, 2009.

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

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at www.trade.gov/cs.

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

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

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

above.

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/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 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/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.

- 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 92 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/>.

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Chapter 7: Trade and Project Financing

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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, the most common method of payment for exports to Peru is via open accounts, which account for 60% of total transactions. 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 (<http://www.coface.com.pe>; coface.peru@coface.com.pe) and Informa Peru (<http://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 (CONASEV) 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 financial system consists of 16 commercial banks, 36 municipal and rural savings banks and microfinancial institutions, and 4 government-owned entities: the Central Bank (Banco Central de Reserva del Peru, or BCRP), the government's financial agent (Banco de la Nacion), and two development banks (COFIDE and the Agrarian Bank). These institutions--along with 34 finance companies, 5 leasing companies, 4 private pension fund administrators, 13 insurance companies, and 20 miscellaneous companies--are regulated by the Superintendence of Banks, Insurance and Pension Funds Administrators (known by its Spanish initials, SBS). SBS policy generally follows

regulatory guidelines set by the Switzerland-based Bank for International Settlements (BIS) where possible. 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 Standard (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.

Financial institutions allocate credit on market terms and observers consider the banking industry in Peru as competitive in serving 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 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, U.S. financial service suppliers have full rights to establish subsidiaries or branches for banks and insurance companies.

The private sector has access to a variety of credit instruments. In November 2010, firms placed US\$1.1 billion on the local bond market. Mutual Funds managed US\$5.5 billion in November 2010, a large recovery from the November 2008 level of US\$2.8 billion and above the earlier record level of US\$5.2 billion in July 2008. By October 2010, private pension funds managed a total of US\$23.73 billion, still recovering from the October 2008 level of US\$29.8 billion.

Observers consider the banking system as sound. Total assets of the Peruvian banking system reached US\$62.78 billion at the end of November 2010, according to the Peruvian Banking Superintendency (SBS). Assets of the three largest commercial banks combined were US\$46.47 billion at the end of November 2010. The 2008-2009 global financial crisis has not affected local operating banks. One can attribute this stability to sound bank policies aimed at strengthening their position after the lessons learned during the 1997-1998 Asian crisis, sound and able bank supervision, and strong GDP growth in the last few years through 2010.

Economic opening since the 1990s coupled with competition, has led to banking sector consolidation. Fifteen commercial banks comprise the system, although three banks account for 75 percent of loans and deposits among traditional banks. Banks have revamped operations, increased capitalization, and reduced costs in recent years. As of November 2010, foreigners had significant shares in twelve banks, of which they were majority owners of ten (including two of the country's large ones, and operator of one large commercial bank). Under the SBS's conservative criteria, SBS assessed 1.6% of all loans as non-performing as of November 2010, down from a high of 11% in early 2001. Peru's banking system has 10 specialized institutions ("financieras"), 34 thriving micro-lenders and savings banks, two state-owned banks, and one state-owned development bank. In 2010, the Economist Intelligence Unit ranked Peru number one worldwide for microfinance.

Customer deposits carry insurance financed by commercial bank contributions to an insurance fund. The amount changes quarterly on the basis of the wholesale price index. For the December 2010 - February 2011 period, the insurance fund insures

accounts up to S/.85,793 (about US\$30,750). Peruvian law empowers the Central Bank 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.

The Peruvian financial system has withstood the direct impact of the international crisis thus far as it does not have a meaningful exposure to toxic foreign assets nor to the international institutions that went bankrupt. Peru began a steady recovery in 2002 following both the 1997-1999 Asian, Russian and Brazilian crises and the century's strongest El Nino weather phenomenon in 1998. Assisting this recovery was Peru's adherence to sound fiscal and monetary policies. These policies also have helped it withstand the 2008-2009 global financial crisis. 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), Peru suffered from chronic balance of payments and fiscal deficits, and Peru maintained extremely low foreign reserves.

The Peruvian financial system has turned around. For instance, Peru had \$44.5 billion net foreign reserves in January 2011. Most of banks' funding comes from domestic deposits. Most banks are strong foreign banks. Private pension funds control large assets. The financial system enjoys a low delinquency ratio. Additionally, the Economy & Finance Ministry had \$8 billion saved 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 \$2.4 billion fiscal deficit. By the January-September 2010 period, the Peruvian government had a \$1.3 billion fiscal surplus. Peru's economy has surged because of domestic demand, exports, and foreign investment.

Trade financing is available to the Peruvian purchasers of U.S. goods and services through their local banks. U.S. suppliers of goods and services also have access to the Export-Import Bank of the United States (Ex-Im Bank), which offers loans and loan guarantees to U.S exporters and to the foreign purchasers of U.S. goods and services. Ex-Im 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. The U.S. Trade and Development Agency is an independent federal agency that assists U.S. companies competing for infrastructure and industrial projects by funding feasibility studies, orientation visits, specialized training grants, business workshops, and various forms of technical assistance. Its areas of concentration are agriculture, energy, environment, health care, manufacturing, mining and minerals development, telecommunications, transportation, and water resources.

The Peruvian government eliminated foreign-exchange controls in 1990. The Central Bank, however, has kept a tight lid on the amount that local pension funds can invest in foreign securities. In September 2010, this limit rose to 30%. At the end of December 2010 pension funds had invested abroad 26.3% of the total funds (US\$8.1 billion). 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. In December 2005, Canadian-based ScotiaBank became Peru's third-largest bank by acquiring Banco Wiese Sudameris and taking majority ownership of its affiliate, Banco Sudamericano. 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 Peruvian commercial banks that had correspondent banking relationships with U.S. banks were (in alphabetical order):

Banco BBVA-Continental (<http://www.bbvabancocontinental.com>)
Banco de Comercio (<http://www.bancomercio.com>)
Banco de Credito del Peru (<http://www.viabcp.com>)
Banco Financiero del Peru (<http://www.financiero.com.pe>)
Banco Interamericano de Finanzas (<http://www.bif.com.pe>)
Banco Santander (<http://www.santander.com.pe>)
Citibank (<http://www.citibank.com/peru>)
HSBC Bank Peru (<http://www.hsbc.com.pe>)
Interbank (<http://www.interbank.com.pe>)
Scotiabank Peru (<http://www.scotiabank.com.pe>).

Project Financing

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Since the market reforms of the early 1990s, the private sector has carried out all major projects. 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 Credito 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), with procurement open to U.S. bidders. However, even when multilateral development banks do not participate, companies seek to buy U.S. equipment and other goods and services. Some projects have been structured with simultaneous or subsequent financing from the local capital market (e.g. corporate bonds). The U.S. EXIM Bank is an active market participant. It provided US\$18 million in financing for a cryogenic gas liquefaction plant, which began operations in August 2005. In 2004-2005, EXIM financed numerous small projects in the agribusiness sector. There are 12 active EXIM Bank lenders/brokers operating in Peru. The U.S. Commercial Service Lima office offers a list of these companies.

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>

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/english/index.html>

Credit Reporting Agencies

Infocorp/Equifax: www.infocorp.com.pe

CERTICOM: www.certicom.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 SAC: <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>

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Chapter 8: Business Travel

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Business Customs

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Peruvian society is conservative therefore business dress is conservative, meaning suits and ties for men and dresses and suits for women are the norm. The currency is the Nuevo Sol (S/.). It is customary to exchange business cards at the initial meeting.

For further information, business travelers should note that the “Foreign Service Posts: Guide for Business Representatives” is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel. (202) 512-1800; fax (202) 512-2250. 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 E-mail at: Lima.Office.Box@mail.doc.gov, or see our website at <http://www.buyusa.gov/peru/en/>.

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, <http://www.travel.state.gov>.

The Department of State issues Consular Information Sheets for all foreign countries, including Peru, with information like the location of the U.S. embassy or consulate, unusual immigration practices, health conditions, minor political disturbances, unusual currency and entry regulations, crime and security information, and drug penalties. Peru’s Consular Information Sheet 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://www.peruvianembassy.us/en.html>.

The Department of State recommends that all U.S. citizens traveling overseas register with the American Citizen Services Unit of the U.S. Embassy. Travelers may register their stay in Peru online at <https://travelregistration.state.gov/ibrs>.

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.peruvianembassy.us/en.html>. There are also Peruvian consulates in Boston, Chicago, Denver, Hartford, Houston, Los Angeles, Miami, New York, Patterson, San Francisco, and Washington D.C.

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

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

U.S. Embassy Lima Consular Section: http://lima.usembassy.gov/consular_section.html.

Telecommunications

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The telecommunications industry in Peru has been steadily modernized following the privatization of the national telephone company by Telefonica de Espana (<http://www.telefonica.com.pe>) in 1994. A long distance phone call to the States is around US\$0.25 per minute while Internet access is widely available often through Internet cafes. Services are being offered such as: DSL internet access, cable internet access, fixed wireline and wireless broadband services, Wi-Fi hot spots solutions (currently in some districts, restaurants, hotels and universities) and VoIP long distance service. Telefonica has more than 63% of the mobile market and 96.6% of the fixed line market. Some companies and individuals have complained about Telefonica's customer service and slow installation rate. Other mobile competitors are Claro (Telmex: <http://www.claro.com.pe>) and Nextel (<http://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 BlackBerry device will function if it has GSM/GPRS service, which can be provided by Cingular/AT&T Wireless or T-Mobile in the U.S. For long distance calling there are a variety of pre-paid calling cards, as well as Nextel's

International Direct Connect with Peru's only 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 Net2Phone service in most Internet cafes. Major U.S. long distance calling cards are accepted at major hotels.

Transportation

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Airlines

There are sixteen international passenger airlines and six companies serving routes within Peru. Among the international companies are: Aerolineas Argentinas, Aeromexico, Air Canada, Air Europa, American Airlines, Avianca, Continental Airlines, Copa Airlines, Delta Air Lines, Iberia, KLM, LAN Airlines, Sky Airlines, Spirit Airlines, TACA Peru, and TAM providing passenger and cargo services through the "Jorge Chavez" 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 fourteen weekly flights between Lima and Miami; Delta Airlines with seven weekly flights from Lima to Atlanta; and Continental Airlines offering seven weekly flights to Newark and seven to Houston, both departing from Lima and operated by United. The low fare company, Spirit Airlines, which started operations in 2007 from Lima to Ft. Lauderdale is currently providing one flight on Sundays. In addition, LAN offers eleven weekly non-stop services from Lima to Miami, seven to New York, eleven to Los Angeles and four to San Francisco. Ninety-five percent of the international flights arrive at "Jorge Chavez International Airport" in Lima. Most of these airline companies also provide cargo transportation services. Other cargo operators include Arrow Cargo, Amazon Sky, Cielos del Peru, Transaer, Centurion Cargo, Atlas, and Polar Air Cargo.

Domestic flights between Lima and larger cities in Peru are provided by LAN Peru, TACA, L.C. Busre, Star Peru, Peruvian Airlines, and ATSA (charter service.) Cusco is the second busiest commercial airport within Peru with more than twenty daily flights from Lima.

Railways

The railway system in Peru is not well-developed and is quite limited to 1,737 kilometers formed by Ferrocarril del Centro, Ferrocarril Huancayo-Huancavelica, Ferrocarril del Sur, Ferrocarril Toquepala-Ilo and Ferrocarril Tacna-Arica.

- 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. Three companies operate in this railway: PeruRail, Inca Rail and Andean Railways Corp. 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 Cujajone 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 and buses. Transportation to and from the airport by radio taxi or taxi service is approximately US\$50. 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. 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.

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. Quecha 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. However, if visitors take certain precautions about food and drink, the level of risk is manageable. Cholera and other infectious diseases such as hepatitis are present in Peru. Travelers in Peru should always substitute bottled beverages for 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 should be safe. Travelers to the jungle areas of Peru should have up-to-date yellow fever vaccine 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 saving 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.

The Peruvian official holidays are:

Maundy Thursday	April 21, 2011
Good Friday	April 22, 2011
Labor Day	May 1, 2011
Saints Peter and Paul	June 29, 2011
Independence Day	July 28-29, 2011
Saint Rose of Lima	August 30, 2011
Battle of Angamos	October 8, 2011
All Saints' Day	November 1, 2011
Immaculate Conception	December 8, 2011
Christmas Day	December 25, 2011
New Year's Day	January 1, 2012

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

President's Day	February 21, 2011
Memorial Day	May 30, 2011
Independence Day	July 4, 2011
Labor Day	September 5, 2011
Columbus Day	October 10, 2011
Veterans Day	November 11, 2011
Thanksgiving	November 24, 2011
Christmas Day (observed)	December 26, 2011
New Year's Day (observed)	January 2, 2012
Martin Luther King	January 17, 2012

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/en/>

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

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://www.peruvianembassy.us/en.html>

U.S. Department of State's Travel Registration: <https://travelregistration.state.gov/ibrs>

Embassy of Peru in Washington D.C.: <http://www.peruvianembassy.us/en.html>

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/visa_1750.html

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/index.html

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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
Unit 3780
APO AA 34031
Sheryl Maas, Commercial Counselor
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: Lima.Office.Box@mail.doc.gov
Websites: www.buyusa.gov/peru/en/, www.export.gov

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. 3017
Washington, D.C. 20230
Judy Lao, Desk Officer
Email: judy.lao@mail.doc.gov
Tel.: (202) 482-1536 Fax: (202) 482-4726
Website: www.doc.gov/

U.S Department of State (U.S. Embassy Lima, Peru)
Unit 3230
DPO AA 34031
Ambassador Rose Likins
Gregory Phillips, Economic Counselor
Richard Merrin, Deputy Economic Counselor
Brandon Possin, Economic Officer
Michele Halsey, Professional Associate
Miguel Yepez, Economic Specialist
Tel.: (511) 434-3000 Fax: (511) 434-4095
Website: <http://usembassy.state.gov/lima/wwwhmain.html>

U.S Department of State (Washington, D.C.)

2201 C Street N.W., Room 5906
Washington, D.C. 20520
James Hogan, Peru Desk Officer
Tel.: (202) 647-3338 Fax: (202) 647-2628
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
Email: aglima@usda.gov

Candice Bruce, Agricultural Attaché
Email: Candice.Bruce@fas.usda.gov

Gaspar Nolte, Senior Agricultural Specialist
Email: Gaspar.Nolte@fas.usda.gov

Alvaro Loza, Agricultural Marketing Specialist
Email: Alvaro.Loza@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 Ball, Senior Attaché for Chile, Peru, Bolivia (resident in Santiago)

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)
Av. 28 de Julio 878, Miraflores
Lima – 18, Peru
Tel.: (511) 610-9671, 610-9672 Fax: (511) 610-9680
Website: www.pcm.gob.pe
Rosario Fernandez, 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
Jorge Villasante, 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
Eduardo Ferreyros, 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
Ismael Benavides, Minister

Ministerio de Energía y Minas
(Ministry of Energy and Mines)
Av. Las Artes 260
San Borja
Lima 41, Peru
Tel.: (511) 618-8700 Fax: (511) 224-4490
Website: www.minem.gob.pe
Pedro Sanchez, 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
Antonio Brack, 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
Luis Nava, 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
General PNP Miguel Hidalgo, 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
Ambassador Jose Antonio Garcia, 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
Oscar Ugarte, 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
Edward Cruz, 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
Enrique Cornejo, 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
Juan Sarmiento, Minister

ProInversion
(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/default.asp
Jorge León, 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
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Market Research

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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
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

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

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

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

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov

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