

Economic & Commercial Report for the week ending 2nd February 2018

1. Analysis of Trade Data (Peru)

Comprehensive and Progressive Treaty for the Trans-Pacific Partnership (CPTPP)

In January of 2017, President Donald Trump fulfilled a campaign promise and US withdrew from the Trans-Pacific Partnership Agreement (TPP). Time will show how much the US stops winning for such a decision, by losing space and weakening its relations with the countries of the Asia-Pacific.

Convinced of the importance of moving forward with this agreement, the most important and ambitious in the world, the 11 remaining countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam) resumed negotiations and a year later, on January 23, they managed to close the Integral and Progressive Treaty for the Trans-Pacific Partnership (CPTPP, for its acronym in English). This new agreement, which seeks to achieve a balance between the 11 countries after the US exit, is based on the original TPP, with the exception of a series of provisions whose implementation is suspended, on issues of intellectual property, investments and dispute resolution, mainly.

The CPTPP represents more than 13% of the world GDP, with an average annual growth of 5%, an average GDP per capita of US \$ 28,000 and a market of 500 million people. Therefore, it generates enormous opportunities for Peru, in particular for non-traditional exports, equivalent to 30% of total sales to these countries. It also represents huge opportunities for fish and agro-export products (grapes, artichokes, asparagus, avocados, quinoa, among many others), as well as better access conditions for products from the metal-mechanic sector. It will also mean new markets, with 4 countries with which Peru does not have a commercial agreement, such as New Zealand, Brunei, Malaysia and Vietnam, and the deepening of agreements with Japan and Canada, thanks to greater product coverage and even shorter terms of relief. For example, with the FTA with Japan, coverage was 88% of products, while with the CPTTP it would be expanded to 98%.

This important agreement is clearly positive for Peru. The agenda of the foreign trade sector has been very dynamic and active in this management, with milestones such as the beginning of negotiations with India, the closing of an agreement with Australia and now the CPTPP. In addition, the dynamism of trade flows is a good indicator, with export growth in 2017 of more than 20% and with a total of exports that is the third highest value in the history of the country.

Non-traditional exports, those that generate higher added value and jobs, continue to increase, and registered a growth of around 9% in 2017. Imports have also grown close to 10%, and those of capital and intermediate goods stand out, which strengthens competitiveness and technology transfer in our industry.

2. News analysis related to Trade

Peru:

i. **Peruvian exports totaled US\$44.058 bn in 2017** (*Andina: 01/02/2018*) – Peru's total exports reached US\$44.058 billion in 2017—a 22.7% increase from the previous year—mainly underpinned by the positive performance of mining and agricultural sectors, the Association of Peruvian Exporters (Adex) reported. It must be noted this result marks the second year of continuous growth and exceeded Adex's 2017 export forecast. Adex Head Juan Varilias recalled the guild had projected—late last year—Peruvian exports would experience a 20.2% expansion. Furthermore, he noted the Inca country must maintain an exports growth rate of 15% in the coming years to reach the Government's target of doubling shipments by 2021.

ii. **Agro-exports to reach US\$7 billion in 2018** (*El Comercio: 30/01/2018*)- Peruvian agro-exports will total some US\$7 billion in 2018 and will be destined—mainly—for the Asian market, Agriculture and Irrigation Ministry (Minagri) projected. "This year, agro-exports will reach US\$7 billion, thus registering a growth rate of 8% [...]," Minagri Head Jose Arista expressed. Likewise, the official pointed out coffee (US\$700 million), blueberries (US\$400 million), and avocados experienced the greatest increases last year.

iii. **Peru relies on great potential for gold, silver industries** (*Andina:01/02/2018*)- Peru could strengthen its position among the world's five-largest gold and silver producing countries, if it places value on these metal reserves, private-run National Society of Mining, Oil, and Energy (SNMPE) affirmed Thursday. According to SNMPE, the Inca country is—currently—the largest gold-producing nation in Latin America and the sixth in the world, with an annual production of 153 tons. Likewise, the guild noted Peru relies on great potential, as it hosts gold reserves estimated at 244 million ounces (6,915 tons). It must be noted main gold producing countries are China, Australia, Russia, the United States, Canada, and Peru. Similarly, Peru is the second-largest producer of silver in Latin America and the world, with an annual production exceeding 4,375 tons. In this sense, Peru's silver reserves are estimated at 8.604 billion ounces (243,000 tons). Within this framework, Mexico, Peru, and China stand out as leading producers of said mineral.

Bolivia:

iv. **Export value up 10.5% in 2017** (*Cambio: 31/01/2018*)- In the January-December period of the previous year, the value of exports increased by 10.5%, from US \$ 7,228 million in 2016 to US \$ 7,986 million in 2017, reported the Bolivian Foreign Trade Institute (IBCE). Gary Rodriguez, General Manager of IBCE at a press conference in the city of La Paz said that the country's imports increased from \$ 8,515 million in 2016 to \$ 9,288 million, an increase of 9.1%. Likewise, the trade deficit reached US \$ 1,302 million in 2017. The main markets for Bolivian products were Brazil, Argentina, the United States, South Korea, Japan, India, China and Peru, among the most representative.

v. **Ministry of economy affirms that financial margin increased in 2017** (*Cambio: 01/02/2017*) The Ministry of Economy clarified that in 2016 a financial margin of US \$ 1,386 million was recorded in the Bolivian banking system, a figure that increased to US \$ 87 million (6.3%) in 2017, reaching US \$ 1,473 million.

Ana Luisa Cáceres L.
Marketing Assistant
February 02, 2018