

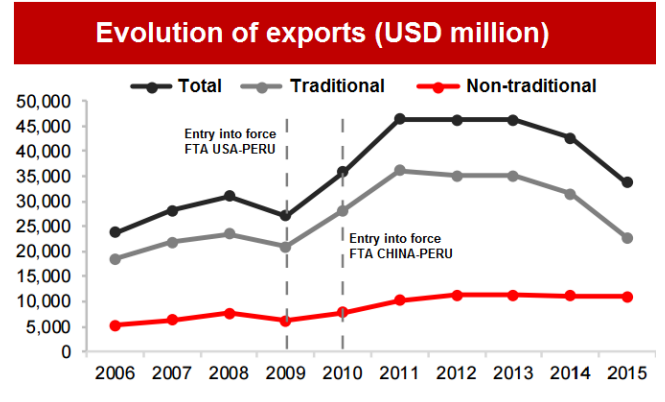
Economic & Commercial Report for the week ending 17th February 2017

1. Analysis of Trade Data (Peru)

FTAs work!

The Association of National Pharmaceutical Industries is against Free Trade Agreements arguing that they do not favour the export or creation of jobs. Affirmation that is not true as trade agreements have increased the export supply and improve the access to important markets by eliminating tariff barriers, and have increased the productive capacity of Peruvian companies.

Peru exports more than 4500 products to the world and for the last years exports have grown at an annual rate of 3.9%. 15 Peruvian products occupy the first 6 places of the *exporter world ranking* (asparagus, avocado, mangoes and others). Since the FTA with the US (2009) and China (2010) entered into force, up to November 2016, exports grew 27.5% and 56.1% respectively with these countries. Likewise, the benefits are for both sides and there has been a reduction on tariffs in the last two years of 15% for China and 47% for the USA.



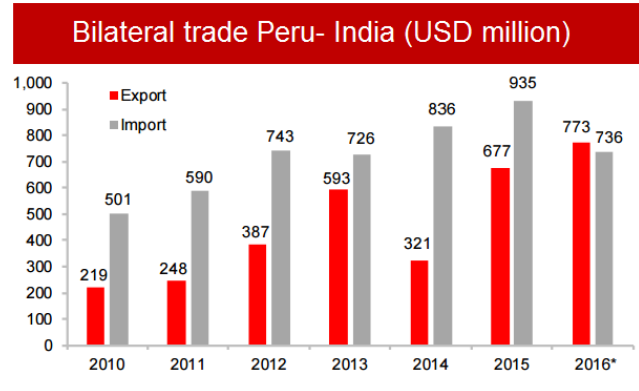
Source: Sunat. Elaboración: COMEXPERU.

[Source: COMEX PERU January 16-22, 2017]

FTA with India

India is one of the most important emerging powers in the world, and will represent 15.1% of the world's GDP by 2050. By signing a FTA, Peru would position itself as one of the first countries in the region to reach that level of trade integration. Bilateral trade between both countries has grown at an average annual rate of 14.8%. From January to November 2016, Peruvian exports to India amounted USD 772.6 million, growing by 36.3%, a greater growth than the ones reached with China (12.2%) and the USA (20.1%). On the other hand, Peruvian imports from India totaled USD 736 million, 2.2% of total Peruvian imports from the world. Main imports are vehicles, laminated products, textiles and medicines.

The main benefit of the FTA between India and Peru will be the increase of investment flow and reduction or elimination of tariffs, since some products have to pay high tariff rates such as copper and gold (7.8%), coffee (56.3%), and grapes (30.8%).



*Figures from January to November
Source: Sunat. Elaboración: COMEXPERU.

[Source: COMEX PERU January 23-29, 2017]

2. New analysis related to Trade

i. **Trade with China grew by 4% in 2016** (*Gestión* : 14/02/2017) - According to the report of the Chamber of Commerce of Lima, trade between Peru and China registered a 4% increase in 2016 as compared to 2015, due to the growth of traditional exports, and totaling a value of USD 16.74 billion.

ii. **Doe Run assets will auction a base price of \$ 271.6 million** (*Gestión* : 14/02/2017) - The Doe Run Peru (the mine under auction) creditors' board approved the standard amount of USD 407 560 000, including the general sales tax. The amount is in the range of the proposals of appraisal that were of 211 million - 500 million dollars. At this meeting, the bases and the models of the contract of sale were defined. The metallurgical complex was valued at 336,780,000 USD and the mine at 70,780,000 USD .The auction of the first is scheduled for March

10, the price base was 66.66% of the value, that is, 271 679 496 USD. In case there is no winner for the bid that day, the second Auction will be on March 30, with a base price of 85%

iii. From Peru to India (*Gestión : 14/02/2017*) - According to the Director of the School of Business and International Business of San Martin de Porres University, India is one of the most important emerging economies in the world. According to the World Bank, India has an annually growth rate of 7.3%. Currently, Peruvian exports to India (2016) were USD 772.6 million. Trade Balance between Peru and India in 2016 was USD 1.6 billion, USD 953 million on imports and USD 678 million on exports. Main products exported to India are agricultural goods, minerals, iron, copper, fertilizers, zinc, fishmeal and furs. And Peru's main imports from India are electronic equipment, machinery, auto parts, textiles, footwear and plastics.

iv. Peruvian economy will begin to grow in January 2017 (*Gestión : 16/02/2017*) - According to the BBVA report, the hydrocarbons sector and the public investment will grow 19% and 14%, respectively during the first month of 2017. Also, fishery will grow by 132%, helping the manufacturing sector to grow. Although the growth in February will be lower than the one registered in January.

v. 3 regional fiber optic networks to be awarded in 2017 (*Gestión : 17/02/2017*) - According to the Vice Minister of Communications, the growth of mobile Internet market is almost 50% and the landline Internet is still 6% - 7%. This year, it is expected to allocate three fiber optic networks in Lima, Ica and Amazonas. The tenders will be called by Pro-Inversion.

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