

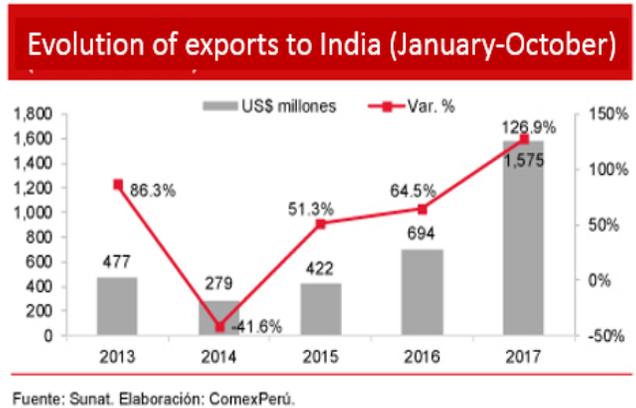
Economic & Commercial Report for the week ending 22nd December 2017

1. Analysis of Trade Data (Peru)

INDIA: CLOSER TO PERU

According to the figures from Sunat, in the period January-October 2017, Peruvian exports to India reached a value of US \$ 1,575 million, 127% higher than the same period of 2016. Thus, it ranks fifth in the ranking of Peru's main export destinations (with 4.4% of our total exports to the world), which is currently led by China (26.2%). It is worth mentioning that there is still no commercial agreement between the two countries, and that currently Peru's shipments to India pay high tariffs. In that sense, a free trade agreement with India would be quite beneficial for Peru's exports.

As can be seen in the graph, Peruvian exports to India, in the January-October period, after the drop in 2014 (-41.6%), registered a sustained growth in the last 3 years, when passing from US \$ 422 million in 2015 to US \$ 1,575 million in 2017. It should be noted that, in the same period of months between 2013 and 2017, they recorded an average annual growth of 34.8%.



WHAT DOES PERU EXPORT TO INDIA?

Of the total Peruvian exports to India in the period evaluated, 97.5% correspond to shipments of traditional items, with a value of US \$ 1,537 million, with a growth of 146.7% as compared to the same period of 2016. The said dynamism is driven almost entirely by the mining sector, which represents 99.8% of traditional exports, with a value of US \$ 1,534 million (+ 151.5%). Among the star products of the sector that are exported to India are gold, with US \$ 1,079 million (+ 248%), and copper and concentrates, with US \$ 454 million (+ 52.8%).

With respect to non-traditional exports, which represent 2.5% of Peru's total exports to India, in the period January-October of this year, they amounted to US \$ 39 million, 45.8% less than in 2016. The sectors that registered a greater fall were non-metallic mining (-70.7%) and textiles (-35.9%). On the other hand, among the sectors whose shipments had a positive growth are agriculture (+ 78.7%), iron and steel (+ 10.7%) and chemicals (6.2%). Also, among the most exported products are aluminum waste and scrap (US \$ 1.9 million, + 13.8%), cocoa (US \$ 1.5 million) and fresh grapes (US \$ 0.97 million; + 43.1%).

India is positioning itself as one of Peru's main export destinations, particularly for the mineral shipments. In that sense, as a response to the high rates of population growth it has, and the development of its infrastructure, it would be highly beneficial for Peru's mining exports to continue to grow on a large scale. Likewise, it is worth remembering that to conclude a free trade agreement with India (whose first round of negotiations was carried out in August of this year) would imply a significant reduction in the high tariff rates maintained by that market, for the benefit of Peru's products. For example, the various types of coffee pay, on average, a tariff rate of 56.3%; fruits and vegetables, including grapes, avocados and asparagus, have an average tariff of 29.4%, fishmeal pays 29.9%; among others.

Source: ComexPeru

2. News analysis related to Trade

Peru:

i. **Trade between Peru and rest of the world may expand 18% in 2017** (*Andina* : 20/12/2017) - Peru's trade exchange with other countries might total US\$87.400 billion by year-end, up by 18% compared to 2016,

Lima Chamber of Commerce (CCL) projected. According to CCL, this result may be the highest registered in the last five years. "This important performance will be explained by imports growth (+17%) and exports rebound (+20%)," CCL Foreign Trade Center (CCEX) Manager Carlos Garcia pointed out. Likewise, Garcia explained that the said recovery is supported by the increase in the main commodities' international prices and Peruvian agro-export sector's growth.

ii. Peru to become one of LatAm's main aquaculture producers (*Andina : 18/12/2017*) - Peru will become one of the top aquaculture producers in Latin America and will be a major global competitor in fishing for direct human consumption by 2021, Production Minister Pedro Olaechea projected. To achieve the said objective, the Andean country relies on the National Program for Innovation in Fisheries and Aquaculture (PNIPA) set to finance 2,000 fisheries and aquaculture innovation projects over the coming four years. "The initiatives will be determined through a series of calls nationwide. There will be 261 research projects as well as 1,723 technical assistance and training projects," he told *El Peruano* official gazette. The cabinet member explained the program is backed by a US\$120 million fund, out of which US\$40 million come from a World Bank loan and the remaining US\$80 million from the Peruvian Government. The implementation of these projects will boost the sector's productivity and increase its competitiveness, thus enhancing value chains and generating greater added value. In addition, it will strengthen food security and enhance the use of fisheries and aquaculture biodiversity.

iii. BCR (Central Reserve Bank): Economy would grow more than 4% in summer (*Gestión : 22/12/2017*) - The President of the BCR, Julio Velarde, affirmed that the Peruvian economy would grow 4.7% between January and March next year and kept the projection for 2018 at 4.2%. The indicated (when presenting the latest Inflation Report) that it is expected that two key sectors, such as mining and construction, will have an upward trend in the first quarter of 2018, and that there are investment decisions already taken. According to the projections of the BCR, the primary GDP will grow 4.9% and the non-primary GDP will grow by 4.1% in 2018.

iv. Peru becomes world's fifth exporter of grapes (*La Republica : 18/12/2017*) - Peru has established itself as the fifth world exporter of grapes, after having conquered 40 international markets, according to the Ministry of Agriculture and Irrigation (Minagri), according to statistics from 2016. Likewise, Peru ranked third in the world in productivity per hectare for grapes reaching 21,498 kg / ha, according to information collected by the Directorate of Economic Studies and Agrarian Information of Minagri. Thus, Peru surpassed China, USA, Italy, Spain and France, which ranked in the top five places as the largest producers in the world, according to FAO data for 2014.

Bolivia:

v. Government: Mineral production will rise by 10% (*El Diario : 22/12/2017*) - By 2018 it is estimated that the production of minerals in the country will increase by 10% in relation to this year due to the programmed investments of private companies and the rise in prices, yesterday predicted the Minister of Mining, César Navarro, during his end of the year evaluation. The government is optimistic about the future of mining, because private companies confirmed their programmed investments. This is the case of San Cristóbal, which will inject capital into its operations to increase reserves and extend the useful life of the deposits it operates in Potosí.

vi. The IBCE predicts that economy will grow 5% next year (*El Diario : 22/12/2017*) - The President of the Bolivian Foreign Trade Institute (IBCE), Reinaldo Díaz, predicted that economic growth will exceed 5% in 2018, thanks to agreements signed between the national government and businessmen, to free exports of non-traditional products. He stressed that the Government had allowed the lifting of export restrictions. According to the evaluation made by the IBCE, Bolivia for the third consecutive year faces a deficit in its balance of trade with a negative balance of 971 million dollars. This despite an increase of 9% in exports, with 6,604 million dollars, but with a fall of 9% in volume, contrasting with imports, which reached 7,574 million dollars.

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December 22, 2017