

Economic & Commercial Report for the week ending 29th August, 2019

1. Analysis of Trade Data (Peru)

India: Potential and Business Opportunity

India has become the sixth largest economy in the world (after China and Japan and the sixth trading partner of Peru, it is emerging as the second largest economy by 2050. The dynamic growth of its economy, its huge population and the increase in its purchasing power constitutes a business opportunity.

As an emerging market, India offers Peru several opportunities for import of inputs, machinery and equipment, due to its varied range of industries (pharmaceutical, textile, vehicles, etc.) at a lower cost compared to other countries. In reference to investments, India is attractive, due to the size of its consumer market, wide variety of natural resources, political and economic stability, numerous industrial parks, etc.

The trade exchange between Peru and India has grown sustainably in the last 8 years. Only in the last two years there was an accumulated growth of 100%. Since 2016, Peruvian exports exceed imports from India, which generates a favorable trade balance for Peru. It is important to highlight that the economies of Peru and India are complementary, so the opportunities that the trade agreement, that is being negotiated will bring, are several. The trade agreement being negotiated includes the trade of goods, services, movement of people and investments, it is important to highlight that it is the only one of its kind that India negotiates with a Latin American country. Its main objective is to boost bilateral economic relations and to generate greater business opportunities.

Economic indicators 2018	India	Peru
Nominal GDP (billion US\$)	2690	229
% Growth of Real GDP (last 5 years)	7.3	3.2
% Average Annual Inflation (last 5 years)	4.7	2.9
Competitiveness Index	58	63
Doing Business Index	77	68
Trade Opening Index	31	40
Export Ranking (of 235 economies)	20	51

In relation to trade in goods, the pre-feasibility study of the agreement, concluded that of the total tariff universe, 251 tariff items were identified, in which Peru has the potential to diversify its exports to India, mainly those related to fishery, agricultural products, and inorganic chemicals. Likewise, the agreement has enormous potential for the increase of Peruvian exports, due to the reduction of Indian tariffs, which are substantially higher than Peruvians (approximately in a ratio of 4 to 1). It also generates significant savings for the Peruvian industry, thanks to the import of inputs with lower costs.

The agreement will create opportunities in the agricultural sector, for Peruvian exports of vegetables, edible roots, tubers, fruits, citrus, fish preparations, thick-haired wool, preparations used in the animal feed, etc. In the field of services trade, access to the Indian market of gastronomic franchises, professional services, services related to information technologies will be achieved. In this context, it will generate opportunities for partnership between service companies in both countries. This will boost the service sector in Peru, in particular the one linked to technology resulting in digital transformation of companies.

Finally, in the field of investments, the agreement will allow the establishment of a friendly legal framework that will help consolidate and expand the presence of Peruvian investments in India and will open the doors for new Indian investments in Peru.

2. News analysis related to Trade

Peru:

i. **Peru and India move towards to reach the trade agreement** (*El Peruano: 24/08/2019*) - The Ministry of Foreign Trade and Tourism (Mincetur) highlighted the culmination of the fifth round of negotiations between Peru and India with a view to reaching a trade agreement between the two countries. Various topics were discussed, such as market access (tariffs), customs procedures, trade facilitation, sanitary, phytosanitary measures, technical barriers to trade, investment, dispute resolution, cooperation, among others. The Minister of Foreign Trade and Tourism said that India has few trade agreements with Latin American countries, so it is important to take advantage of the comparative advantages that this agreement could give Peru compared to other countries in the region.

ii. **Private investment will expand 4.8%** (*Gestion 26.08.2019*)- The Economy and Finance Ministry (MEF) projected that the Private investment in Peru will expand 4.8% in 2020 underpinned by greater investment in mining projects that began construction in 2018 and the reactivation of non-mining investment, based on the entry of five new projects that will be added to mining production. These are the Quecher Main (Yanacocha Mine) and Expansion Santa Maria (Poderosa Mine) gold projects, the Toromocho (Chinalco) and Mina Justa (Marcobre) Expansion copper projects as well as the San Rafael (Tin project) of Minsur. It is estimated that the country's mining GDP will grow 3% in 2020 also was noted that copper production increased 1.6% during the first half of 2019, after remaining relatively stable during 2018, and was projected that copper production will grow 3% next year, above the estimated 2% for 2019.

iii. **Peru and China concluded the third round of negotiations to optimize the FTA** (*Gestion: 27/08/2019*) - The Ministry of Foreign Trade and Tourism (Mincetur) announced the culmination of the third round of negotiations for the optimization of the Free Trade Agreement (FTA) between Peru and China, held in Beijing. In this round of negotiation there has been significant progress in the chapters on investment and intellectual property and concluded the discussions on customs matters and procedures of origin. Likewise, both countries agreed to deepen their commitments in sanitary and phytosanitary matters. "The optimization of the FTA is not only important because it allows us to modernize and update our agreement with China, it also strengthens our relationship with our main trading partner, allowing us to work in more areas that can benefit Peruvian companies" said Minister Vasquez.

Bolivia:

iv. **Buyer Seller Meeting between India and Bolivia** (*El Cambio: 28/08/2019*) - Businessmen from the pharmaceutical sector in Bolivia and India met yesterday for the first time in a Buyer Seller Meeting that was held at Europa hotel in the city of La Paz. Head of Chancery and Commercial representative of the Embassy of India in Peru and Bolivia, Arup Kumar Saha, reported that 28 delegates from Pharmexcil and around 90 Bolivian companies from the pharmaceutical sector met at the event. Likewise, He highlighted that this BSM was held to honor the commitment of the Honorable President of India, during his State visit on March 2019. "It is the first time that there is (in Bolivia) a delegation (from the Indian pharmaceutical sector), in the future it is expected to increase trade relations between both Countries," said the diplomat.

v. **YPFB signed agreements for exploration, household gas and fertilizers** (*La Razon: 24/08/2019*) - In the framework of the II International Forum of Gas, Petrochemicals and Green Fuels that was held in Santa Cruz, Bolivian Fiscal Oil Fields (YPFB) signed four agreements with national companies and entities (Vintage Petroleum Boliviana, Ciudad Nueva Santa Cruz, Federation of Agricultural Cooperatives and the National Institute of Agricultural and Forestry Innovation) to promote exploration studies, the use of fertilizers such as urea and household gas. "This marks an important fact because YPFB remains the most important company and with the signing of these agreements and memoranda of understanding with these entities will allow us to carry out exploration and exploitation activities and the use of gas at home and the use of fertilizers", informed the Minister of Hydrocarbons, Luis Alberto Sánchez.

vi. **A JV company was created to industrialize the salt flats of Pastos Grandes and Coipasa** (*La Razo: 24/08/2019*) – The Bolivian Lithium Deposits Corporation (YLB) and the Chinese Xinjiang TBEA Group private consortium signed an agreement for the joint venture for the construction of lithium carbonate plants in the framework of the industrialization of the Pastos Grandes salt flats, in the department of Potosí and Coipasa in Oruro. YLB, has 51% of the shares and that association was created for the industrialization and exploitation of existing evaporitic resources in those salt flats. The Chinese private consortium TBEA Group-Baocheng was selected from a group of international companies that responded to the bid announced by the

Government in 2018 in which seven companies participated, two from China, three from Russia, one from Germany and one from Ireland.

3. Trade Promotion Activities of the Mission

i. The first ever BSM of Pharmexcil in Bolivia : To honour the commitment made by Hon'ble President of India during his State Visit to Bolivia in March 2019, Pharmexcil organized its first ever BSM in La Paz, Bolivia on 27 August 2019. 28 Indian Pharmaceutical companies a wide range of products including formulations, APIs, medical devices, pharmaceutical machinery, nutraceuticals and herbal medicines. More than 90 Bolivian companies participated in the fruitful meetings with resulted in impressive business dealings. The BSM was inaugurated by Vice Minister of Health & Promotion Dr. Martín Maturano and Vice Minister of Traditional Medicine, Mr. Alberto Camaqui. Also spoke on the occasion were Ms. Gabriela Orosco, Director General of Foreign Trade and Integration of the Foreign Ministry and Mr. Arup Saha, Commercial Representative of the Mission. Earlier, on 26 August 2019, the delegation had fruitful meetings with Health Ministry officials, AGEMED – the regulatory body and CEASS the government medicine procurement agency. They also had a call on Ambassador Benjamin Blanco, the Vice Minister of Foreign Trade and Integration.

Arup Kumar Saha
Commercial Representative
August 29, 2019