



Doing Business in Peru: 2008 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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Peru represents a rapidly expanding market for American goods and services. Fueled by robust economic growth and eased market access conditions, U.S. exports to Peru have doubled in the past four years. In 2007 alone, American exports grew by 41% to a record level of \$4.1 billion.

This trend should be reinforced as a result of U.S. Congressional approval in December 2007 of the U.S. Peru Trade Promotion Agreement (commonly referred to as the U.S.-Peru Free Trade Agreement, or FTA). The agreement is expected to enter into force during the later half of 2008 and will level the playing field for U.S. companies by providing greater access to the Peruvian market and improving the overall commercial and investment climate.

Under the previously existing Andean Trade Preferences and Drug Eradication Act, Peruvian firms have been able to export thousands of goods to the United States duty-free. The FTA will afford similar treatment to most U.S. goods entering Peru, making 80% of U.S. consumer and industrial products eligible for duty-free access into Peru immediately upon entry into force; with the remaining tariffs phased-out over ten years. More than two-thirds of current U.S. farm exports to Peru will also become duty free immediately. Enhanced access to services markets and greater protection of intellectual property right (IPR) are also contained within the Agreement. A U.S. International Trade Commission study estimated that annual American exports to Peru will be \$1.1 billion higher as a result of the FTA.

Peru's efforts to broaden its trade relationships are not limited to enhancing its commercial ties with the United States. In 2008, Peru will take a prominent place on the world stage, playing host to a year-long series of events associated with the annual meetings of the Asia-Pacific Economic Cooperation (APEC) group. APEC events will culminate in November, when President Bush and some 20 other world leaders are expected in Lima for the APEC Leaders Summit. Peru will also host the leaders of some 50 Latin American and European nations for a bi-regional summit in May 2008. Another element of Peru's campaign to broaden its global economic ties has been intensified efforts to negotiate trade agreements with key commercial partners; including an accord concluded with Canada in early 2008; and negotiations on another agreement with China, initiated in 2008 and targeted for completion by the time of the APEC Summit in November 2008.

Peru's efforts to intensify its engagement with key trade partners has been aided significantly by the strong performance of the Peruvian economy in the past decade.

Peru has achieved some of the highest economic growth rates in Latin America, averaging above five percent during the past seven years and attaining rates of approximately eight percent in 2006 and 2007. An important contributor to this economic vitality has been the mining sector. This industry continues to play a major role in Peru's economy and to dominate its international trade flows. In 2007, 62% of Peru's \$27 billion in exports (and a similar volume of American exports to Peru) were accounted for by the mining and minerals sector.

The United States is Peru's leading trading partner, purchasing 18% percent of Peru's exports and supplying 19 percent of the country's imports in 2007. Bilateral trade has tripled over the past decade, reaching \$9.3 billion in 2007, with Peru now the 40th largest export market for the U.S. goods. Leading American exports to Peru include mining equipment, industrial and electrical machinery, refined petroleum products, plastics, computers and telecommunications equipment. In 2007, the United States imported \$5.2 billion in goods from Peru, including minerals (copper, gold, silver, zinc, tin, lead), petroleum, apparel and increasing quantities of agricultural products.

Peru's strong economic performance in recent years has been aided by market-oriented economic reforms and privatizations in the 1990s, and measures taken since 2001 to promote trade and attract investment. High global prices for minerals, Peru's principal export, has also contributed to the country's recent economic vitality. In 2007, Peru's GDP was estimated to be \$100 billion, or approximately \$3,600 per capita.

In its Doing Business 2008 publication, the World Bank ranked Peru 58 among 178 countries surveyed in terms of ease of doing business. Difficulties cited by the report, and often mentioned by U.S. companies active in Peru, include excessive bureaucracy, especially in establishing a business, and obtaining the requisite licenses. Labor issues also pose challenges for companies operating in Peru. Peru's investor protection and access to credit were ranked high by the report. A copy of the Peru portion of the 2008 Doing Business report can be accessed at the following site:

<http://www.doingbusiness.org/ExploreEconomies/?economyid=152>

Market Challenges

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Peru's import tariffs have come down substantially in recent years, and now carry a trade-weighted average of 2.5%. Many import tariffs on U.S. products are set for elimination upon entry into force of U.S.-Peru FTA. Still, a value-added tax of 19% results in relatively high prices for many goods, generally higher in comparison to those prevailing in the U.S. for most manufactured and consumer goods.

Cumbersome bureaucratic and customs clearance procedures continue to be identified by many firms as impediments to business. Difficulty in securing legal remedies to commercial disputes also is notable among those concerns cited by companies operating in Peru. The ability of the central and regional governments to implement needed infrastructure improvements (ports, roads, airports), and to effectively bring the benefits of increased economic growth and trade to all segments of society, is seen by many observers as a pressing long-term challenge for Peru.

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
- Oil and Gas Field Machinery
- Industrial Chemicals
- Food Processing and Packaging Equipment
- Security and Safety Equipment
- Air Conditioning and Refrigeration Equipment
- Construction Equipment
- Pumps, Valves, Compressors
- Building Products
- Pollution Control Equipment
- Drugs and Pharmaceuticals

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

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

Market Entry Strategy

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The United States is Peru's leading source of imports. In 2007, 18% of all Peruvian imports originated in the United States; followed by China (12%); Brazil (9%); Ecuador (7%) and Argentina (6%). Chilean and Spanish firms have also developed a strong presence in Peru through investment in retail operations and infrastructure projects.

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\$1,170 (one tax unit: 3,500 soles for 2008).

-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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American firms hold a 60% market share of Peru's franchise sector, concentrated primarily in food services. Peru's franchise industry, comprised of some 120 businesses, generates annual sales of approximately \$500 million and is growing at about ten percent a year.

There is no special legislation governing franchising. 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 of 0, 9, and 17% depending on the type of goods. Countries

that have signed double taxation agreements with Peru have a different regime on 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 Consejo Superior de Contrataciones y Adquisiciones del Estado (CONSUCODE, Government Procurement Supervision Agency), according to its gross annual sales during the previous year.
2. Present the official form (available at <http://www.consucode.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 municipal license, notarized by the Peruvian Consulate in the United States, and registered with the Peruvian Ministry of Foreign Affairs, translated by an authorized interpreter. If there is no municipal license or similar document in the country

of origin, the legal representative may present an affidavit stating this fact, also within 15 working days after paying the fee.

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 company's 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 and Amex.

- d) <http://www.ewong.com>. 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.

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.

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) 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.

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 and national readership is "El Comercio," which is also the nation's oldest paper with more than 160 years of continuous publication. Other serious major dailies include "Peru.21," "Correo," tabloid "Ojo", "La Republica," "La Razon," "Expreso," 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 750,000 homes in different areas of Peru. The main cable service companies are Telefonica del Peru offering "Cable Magico", with 634,000 subscribers; The DirecTV Group, Inc. (Great Britain), offering its new cable service "DirecTV" with 40,000 subscribers; Boga Comunicaciones with its product "Cable Express" (former "Telecable", acquired from Panama's Corporacion Vicmar S.A. by the Mexican company Telefonos de Mexico, TELMEX, in 2007) serving Lima and Chiclayo with about 32,000 subscribers; Grupo Cable Vision with 20,000 subscribers in some provincial cities; and Star Global Com (part of the US company Liberty Media) serving Arequipa and Tacna with about 12,000 subscribers. 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 \$340 million in 2007.

In general, Peru is an open market, with minimal trade restrictions. The weighted average tariff is 2.5% 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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Introduction

Several general principles are important for effective management of intellectual property rights in Peru. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Peru than in the U.S. Third, rights must be registered and enforced *in Peru*, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can often provide a list of local lawyers upon request.

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. While the U.S. Government (USG) is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR 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 doctrines such as statutes of limitations, or unreasonable delay in prosecuting a law suit. In no instance should USG 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 partners. A good partner is an important ally in protecting IP rights. 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 IPR and stop counterfeiting. There are a number of these organizations, 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)
- Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPI)

IPR Resources

A wealth of information on protecting IPR 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** (**www.uspto.gov/web/menu/feedback.html**).
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959** (**www.copyright.gov**).
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_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 IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world, including an IP attaché who covers Peru: Dorian Mazurkevich, Regional Commercial Officer (IPR)

Av. Presidente Wilson, 147 / 4º Andar
Rio De Janeiro RJ 20030-020
Brazil
Phone: 55-11-5186-7338
Fax: 55-11-5186-7246
Email: dorian.mazurkevich@mail.doc.gov

IPR Climate in Peru

Protection of intellectual property rights (IPR) in Peru has improved over the past decade, but still falls short of U.S. and international standards in several areas. Peru remains on USTR's Section 301 "Watch List" due to concerns about continued high rates of copyright piracy, a lack of protection for confidential test data submitted for the marketing approval of pharmaceutical and agrochemical products, and inadequate enforcement of IPR laws, particularly with respect to the relatively weak penalties that have been imposed on IPR violators.

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 (INDECOP, <http://www.indecopi.gob.pe>), established in 1992. Legislative Decree 822 of 1996 and Andean Community Decisions 344 and 486 protect patents, trademarks, and industrial designs. Copyrights are protected by Legislative Decree No. 822 of 1996 and by Andean Community Decision 351.

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. 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.

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. Although Peruvian law provides for effective trademark protection, counterfeiting of trademarks, copyrighted products, and imports of pirated merchandise are widespread. The

International Intellectual Property Alliance estimates that the piracy level in Peru for recorded music has remained at 98 percent from 2003 to 2007, with trade losses estimated at US\$58.5 million in 2007. IIPA estimates motion picture piracy accounts for 63 percent of the market for a loss of US\$12 million in 2005; and that software piracy levels grew from 2003 levels (68 percent) to 73 percent in 2007.

Peru's Copyright Law is generally consistent with the TRIPs Agreement. However, textbooks, books on technical subjects, audiocassettes, motion picture videos and software are widely pirated. While the government, in coordination with the private sector, has conducted numerous raids over the last few years on large-scale distributors and users of pirated goods, and has increased other types of enforcement, piracy continues to be a significant problem for legitimate owners of copyrights in Peru.

Despite increased enforcement actions by INDECOPI, the judicial branch has failed to impose sentences that adequately deter future IPR violations. The Peruvian government in July 2004 increased the minimum penalty for piracy to four year's imprisonment, although there have yet to be any convictions under the new law. Peru now has six prosecutors dedicated full-time to intellectual property cases. In November 2006, five courts in Lima were assigned IPR duties.

As a practical matter, exporters and distributors should hire local counsel who specialize in IPR issues if they are concerned about piracy of their products in Peru. The Commercial Service has prepared the **Ambassador's IPR Toolkit**, which can be downloaded by clicking the following link: <http://www.buyusa.gov/peru/en/196.html> A list of attorneys specializing in intellectual property is available from the Commercial Service office. Law firms that handle IPR matters can also assist in launching anti-piracy enforcement actions in collaboration with the Government of Peru.

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 de Comercio: <https://www.bancomercio.com/>

Banco de Credito: <http://www.viabcp.com/>

Banco del Trabajo: <http://www.bantra.com.pe/portalfinanciero/>

Banco Falabella: <http://www.bancofalabella.com.pe/>

Banco Financiero: <http://www.financiero.com.pe/>

Banco Interamericano de Finanzas: <http://www.bif.com.pe/>

Banco Ripley: <http://www.ripley.com.pe/>

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

BBVA Banco Continental: <http://www.bbvabancocontinental.com/>

Citibank: <http://www.citibank.com.pe>

HSBC Bank Peru: <http://www.hsbc.com.pe/>

Interbank: <http://www.interbank.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 Consultores Asociados, business intelligence and counterintelligence:
http://www.ateneaconsult.com/english/atenea_english.htm

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 Ehecopar: <http://www.ehecopar.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, logistic 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.pe/english/principal.htm>

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

America Movil Peru S.A.C., mobile phone service: <http://www.claro.com.pe>

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.telmex.com.pe/>

Web Resources

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

CONSUCODE: <http://www.consucode.gob.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>

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

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Mining Industry Equipment

Overview

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	2005	2006	2007 (estimated)
Total Market Size	508.4	852.2	1,116.8
Total Local Production	N/A	N/A	N/A
Total Exports	28.9	31.2	43.3
Total Imports	537.3	883.4	1,160.1
Imports from the U.S.	188.5	319.8	525.8

(Statistics are unofficial estimates in millions of U.S. \$)

2007 Import Market Share (percent for US and Major Competitors): U.S. 45.3%; Uruguay 9.7%; Brazil 6.7%; Switzerland 4.6%; Germany 4.6%; Chile 4.4%; Sweden 4.1%; Canada 2.4%.

The mining sector is Peru's dominant industry and the largest purchaser of American products, with roughly 60% of all U.S. exports to Peru destined for this sector. In 2007, mining activities accounted for over 6% of Peru's GDP and 62% of its total exports.

Growth in this sector is forecast to be 4 to 5% in 2008, following a decline in 2007 resulting from a decline in the volume of gold and tin produced. Still, in 2007 Peru benefited from strong growth in zinc and copper production, as well as major volumes of production of molybdenum, lead, iron and silver.

The initiation of operations to exploit new deposits contributed to the growth in the sector in locations such as the polymetallic project of Cerro Lindo in Ica, which will produce 146,000 metric tons (MT) of zinc concentrates, 14,800 MT of lead concentrates and 39,500 MT of copper concentrates, with estimated reserves of 33 million MT. Other operations contributing increased production volumes include the auriferous project Machacala in Lima (silver, zinc, and lead), and the Sociedad Minera Cerro Verde mine (Freeport-McMoran) which tripled its production capacity to 300,000 MT of copper.

Additional operations brought on line in the past year included the gold and silver project at Pallancata (Ayacucho) owned by Hochschild Mining and Minerals International Corporation; and the Coricancha mine under Gold Hawk Resources of Lima. Minera IRL began the construction of the auriferous mine Corihuarmi in Lima. Other important feasibility studies were announced for projects such as Rio Blanco, Cañariaco Norte, Quellaveco and the Bayovar phosphate project.

The presence of Chinese mining companies increases due to the acquisitions of Peru Copper (Toromocho) and Monterrico Metals (Rio Blanco). In December 2007 a Chinese joint venture (China Minmetals Nonferrous Metals Co, China's largest metal trader, and Jiangxi Copper) signed an agreement to purchase Northern Peru Copper.

Best Prospects

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

HTS Code	Description	%
870120	Road Tractors for semi-trailers	11.25
870423	G.V.W. exceeding 20 metric tons	10.38
842951	Front-end shovel loaders	9.31
842952	Machinery with a 360 revolving superstructure	7.69
870410	Dumpers designed for off-highway use	5.52
842911	Bulldozers and angledozers; track laying	5.11
847490	Parts for machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances, in solid form	4.70

The Peruvian market is very competitive and highly price sensitive. Imported new and refurbished equipment are in high demand.

Opportunities

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(In 2008-2009 mining production should show stronger growth due to the initiation of operations at a number of new mining sites, including Goldfield Ltd's Cerro Corona (gold/copper) mine and the sulfide treatment plant at Newmont's Yanacocha gold mine. Increased production at Cerro Verde (Freeport McMoran), Cerro Lindo (Milpo) and the beginning of the operations of Cañariaco (Candente, copper and gold) should also contribute to this sector's expansion.

Additional major projects to exploit major mineral reserves are expected to be implemented in the coming years which will require significant investment not only at the mine sites, but also hydraulic infrastructure, road construction, slurry pipes and others related areas. Among the most important projects to be developed are Toromocho (Junin) with an investment of approx. US\$1.5 billion, Rio Blanco (Piura, US\$1.4 billion), and Minas Conga (Cajamarca), which involves an investment of \$935 million.

Peru is able to attract major investments in its mining sector owing to the presence of major deposits of a range of minerals, including gold, silver, zinc, lead, tin, tellurium copper, molybdenum and bismuth. Peru also presents significant potential for nonmetallic mineral production such as borates, diatomite, bentonite and travertine phosphoric rock.

The Peruvian government is encouraging mining exploration in order to maintain the high production volumes. The Ministry of Energy and Mines has been signing contracts for exploration investment offering the return of the sales tax payments and municipal tax incurred by the mining companies during the exploration stage, provided they fulfill established policies and investment programs. At present over 80% of Peru's territory has yet to be explored for mineral resources.

Upcoming mining-related trade shows in Peru are:

8th International Gold Symposium

May 20-22, 2008

Place: CGE Convention Center, San Borja, Lima, Peru

Organizer: Gold Committee of the Mining Society
More information: http://www.snmpe.org.pe/octavo_simposium/

Mining Logistics Forum
July 9-10, 2008
Place: Peruvian Institute of Mining Engineers, Lima, Peru
Organizer: Peruvian Institute of Mining Engineers
More information: http://www.iimp.org.pe/forologistico2008/index_iimp_eng.html

7th Mining National Congress
August 26-29, 2008
Place: Antenor Orrego University, Trujillo, Peru
Organizer: Mining Chapter of the Peruvian Board of Engineers
More information: <http://www.congresominas.org/>

7th International Infomina: Information Technologies for Mining
September 24-26, 2008
Place: To be determined in Lima, Peru
Organizer: Peruvian Institute of Mining Engineers
More information: http://www.iimp.org.pe/iimp/index_i.html

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Central Reserve Bank of Peru: <http://www.brcp.gob.pe>

Customs: <http://www.aduanet.gob.pe>

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>

Peruvian Institute of Mining Engineers: http://www.iimp.org.pe/iimp/index_i.html

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

Supervising Agency for Investment in Energy and Mining (OSINERGMIN):
<http://www.osinerg.gob.pe>

Veritrade: <http://www.veritrade.info>

Telecommunications Equipment

Overview

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	2005	2006	2007 (estimated)
Total Market Size	839.4	1,113.1	1,628.6
Total Local Production	N/A	N/A	N/A
Total Exports	52.6	23.0	43.5
Total Imports	892.0	1,136.1	1,672.1
Imports from the U.S.	368.7	528.8	749.9

(Statistics are unofficial estimates in millions of U.S. \$)

2007 Import Market Share (percent for US and Major Competitors): U.S. 44.8%; China 8.2%; Sweden 7.8%; Republic of Korea 5.1%; Hong Kong 4.0%; Mexico 3.6%; Germany 2.8%.

Peru's telecommunications infrastructure of telecommunications has undergone significant expansion and improvements in the quality and diversity of its products in recent years largely as a result of the entry of substantial levels of private investment, much of it from abroad. During 2007, the telecom continued to offer new technologies and services and experienced reductions in tariffs for a number of services. The areas with the telecom sector exhibiting the greatest dynamism in recent years have been the mobile-phone system, Internet and cable TV.

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	%
85170000	Electrical apparatus for the 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 there of.	25.4
85251000	Transmission apparatus for radiotelephony, radiotelegraphy, radio broadcasting or television.	7.1
85170000	Electrical apparatus for line telephony or line telegraphy, includes line telephone sets with cordless handsets and telecommunication apparatus	6.7
85280000	Reception apparatus for television, whether or not incorporating radio broadcasting receivers or sound video recording or reproducing.	2.3
85219000	Video recording or reproducing apparatus, whether or not incorporating a video tuner; magnetic, color, cartridge or cassette type; others	2.0

The market for mobile-phone services has grown rapidly in Peru in recent years, not only in terms of number of phone lines available, but also in quality and geographic coverage

of service. Still, cell phone penetration rates in Peru lag behind those found in many other Latin American markets.

As of September 2007, 13,539,373 mobile phone lines were in service in Peru, representing a density of approximately 50 lines per each 100 inhabitants. The number of cell phone lines in service grew by 54% between September 2006 and September 2007. Cell phone coverage in Peru is heavily concentrated in the urban areas, with the Lima metropolitan area (Departments of Lima and Callao) alone accounting for 54.6% all of cell phone lines in service nation-wide. As far as the distribution of subscribers of cell-phone service according to type of service, 88.5% correspond to the subscribers under pre-payment plans, whereas the remaining 11.5% had post-payment or contract type plans.

Three mobile-phone companies currently operate in Peru; Telefonica Moviles of Spain with 61.3% of the total of mobile-phone lines; América Móvil Perú S.A. (Telmex of Mexico) with 35.6% of the market, operating under the trademark Claro; and NEXTEL of Perú S.A. (U.S.), which holds 3.2% of the market.

According to Peru's National Survey of Homes, through June 2007, 40.6% of homes nation-wide had at least one mobile phone. In urban areas this figure was 56.7%, while in rural areas the cell phone penetration rate was much lower, with just 10% of homes having at least one mobile-phone.

The fixed line telecommunications market in Peru is also experiencing strong growth, with density indicators for fixed lines having increased from 8.3 per 100 inhabitants in 2005 to 9.5 lines per every 100 by September 2007. By mid-2007, Peru had 2,632,161 fixed phone lines installed, an increase of 9.6% from a year earlier.

Telefonica del Peru S.A.A. holds the majority of Peru's fixed-line market, with 88.6% of the lines. The remained is distributed among 8 operators, including Telefónica Móviles S.A. (previously Bellsouth), with 9.6% of the total lines, operating wireless land lines. Others include Telmex Perú S.A., Americatel Perú S.A., IMPSAT Perú S.A., Infoductos and Telecomunicaciones del Perú S.A., Gilat To Home Perú S.A., Rural Telecom S.A.C and NEXTEL del Perú S.A.

According to the National Survey of Homes (ENAH0) through June 2007, 28.9% of Peru's homes had fixed telephone lines. In the urban areas of the country 43.6% of the homes had fixed lines, whereas the percentage in rural areas was only 1.0%.

In reference to public service telephones, the number of public telephones (coin and/or card operated) was approximately 171,298 by the end of 2007, translating into a density of 6.2 telephones per each thousand inhabitants.

As far as the distribution of the number of public telephones installed by company, 90% belong to Telefonica del Peru S.A.A.; Telefonica Moviles owns 3.73%; followed by Gilat to Home Perú S.A. with 3.36% and TELMEX Perú S.A. with 1.3%. Other firms operate less than 1% of the total of the public telephones.

The number of public telephones installed as a consequence of FITEL programs and others now serve 6,691 localities or towns in Peru. (FITEL was created to provide the

funds to supply telecommunications services to rural areas as well as those considered as preferential social interest).

By the end of 2007, the number of companies working in telecommunications (concessionary) of public services was 385. The majority of concessionaires was engaged in activities related to broadcasting by cable TV, accounting for 256 concessionaires. Another 60 firms provide long distance service with 60.

Negotiations between the government authorities and Telefonica del Peru resulted in the expansion of telecommunications services intended to service the poor, with 660,000 lines to be installed for this purpose over the next 4 years. An additional 25,000 “social lines” (costing S/. 19.00) for some of the poorest regions in Puno, Apurímac, Ayacucho, Huancavelica, Huanuco and Cajamarca) will also be installed.

In November of 2007 the conditions for the implementation of the numerical portability of the public mobile-phone services in the country were approved (DS.No. 040-2007-MTC). The Law of Numerical Portability in the Cell-phone Services establishes that a user has the right to maintain his/her cell-phone number, even though the customer may change their operating company (Law No. 28999). The implementation of the numerical portability would be carried out in three stages. In the first stage the technical solution will be chosen. In the second stage the engineering and operative specifications for the implementation will be determined; and in the final stage testing and implementation would be conducted with a targeted completion date of September 30, 2009.

In January 2008, the Ministry of Transports and Communications awarded to Telefonica Moviles the 450 MHZ band for the installation of wireless technology in Lima and Callao. The authorized frequency band allows the use of mobile-phone services and Internet. With this award, telephone coverage in the capital is expected to be increased by 30%.

Opportunities

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With growth in the telecommunications sector expected to continue to be strong, commercial opportunities for suppliers of telecommunications equipment should also remain bright. The major telecom operators are expected to continue with aggressive service expansion programs, with the Telefonica group having an objective of extending its network by 100% and NEXTEL planning a significant expansion of its cell phone coverage. In the course of the 2008, PROINVERSION through public bid; will select the operator to implement the Program “Rural Broadband”. This Program seeks to provide 3,010 localities with fixed phone lines and Internet access of Internet through an approximate investment of 59 million soles. The chosen operator will implement projects in the 450 MHz band, broadband satellite and Wi-max with an approximate investment of \$8, \$45, and \$100 million respectively.

Resources

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Central Reserve Bank of Peru (BCRP): <http://www.bcrp.gob.pe>

Customs: <http://www.aduanet.gob.pe>

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

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

Private Investment Promotion Agency (Proinversión): <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>

Veritrade: <http://www.veritrade.info>

Plastic Materials and Resins

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	2005	2006	2007 (estimated)
Total Market Size	581.2	643.9	721.0
Total Local Production	82.3	108.0	121.8
Total Exports	76.5	97.0	116.0
Total Imports	575.4	632.9	715.2
Imports from the U.S.	155.5	171.1	197.0

(Statistics are unofficial estimates in millions of U.S. \$)

2007 Import Market Share (percent for US and Major Competitors): U.S. 28%; Colombia 19%; Brazil 8.6%; Republic of Korea 7.2%; Chile 7.1%; Saudi Arabia 4.2%; China 2.3%.

The total market for plastic materials and resins in Peru increased by 12% during 2007. While there are no official local production figures available, industry specialists report that approximately 90% of the plastic inputs are imported. Peru has no significant petrochemical industry, 100% of resins consumed are imported from third countries. Local production is limited to some types of sheets, plates of polymers of propylene, polyethylene terephthalate, and other acrylic polymers in primary forms. The demand for plastic materials and resins is expected to increase by 10% in 2008.

The Peruvian plastic industry is made up of some 800 small and medium-sized transforming companies, of which 90% are concentrated in Lima. This sector expanded by 10-12% annually between 2005-2007. Peru is currently exporting plastic processed goods mainly to the Andean Community countries (Colombia, Bolivia, and Ecuador) taking advantage of the tariff benefits and geographic proximity.

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

HTS Code	Description	%
3902100000	Polypropylene	15.6
3901101000	Linear low density polyethylene, spec. grav. < 0.94	11.6
3901201000	Polyethylene having a spec gravity of 0.94 or more	11.3
3904100000	Polyvinyl chloride, not mixed with any other substances	9.6
3902300000	Propylene copolymers	4.1
3907600000	Polyethylene terephthalate	3.5
3906905000	Other acrylic polymers in primary forms, nesoi	2.2

The U.S. products face tough Latin America and Asian competition characterized by low-prices.

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The elimination of custom duties on capital goods as well as inputs for the manufacturing sector decreed by the Peruvian Government in 2007 is benefiting the import of plastic materials and resins. Additionally, with the entry into force the Free Trade Agreement between the U.S. and Peru (expected to occur by the end of 2008), should enhance the competitiveness of American products.

Some trends and market segments worth watching include: (a) steady growth in demand for BOPP for flexible packaging; (b) PET carbonated soft drink bottle producers are progressively increasing the output of 2,2.5, and 3 liter bottles by producing non-disposable and recyclable bottles; (c) containers and packaging cases for agricultural products; (d) polyethylene sacks for the fishing industry; (e) pipes for the construction sector; (f) caps for various types of containers, and (g) migration from analog to automated production processes.

Upcoming plastics-related trade show in Peru:

ExpoPlast 2008 – Plastics industry specialized trade show

May 28-31, 2008

Place: Jockey Plaza Convention Center, Lima, Peru

Organizer: National Manufacturers Society, Plastics Committee

More information: <http://www.expoplastperu.com>

Resources

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National Manufacturers Society, Plastics Committee: <http://www.sni.org.pe>

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

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

Construction Equipment

Overview

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	2005	2006	2007 (estimated)
Total Market Size	188.1	298.7	345.9
Total Local Production	N/A	N/A	N/A
Total Exports	10.8	10.6	10.1
Total Imports	198.9	309.3	356.0
Imports from the U.S.	73.0	127.7	186.1

(Statistics are unofficial estimates in millions of U.S. \$)

2007 Import Market Share (percent for US and Major Competitors): U.S. 48.4%; Brazil 10.7%; Germany 6.8%; Uruguay 5.6%; Switzerland 4.0%, Argentina 4.04%, Sweden 3.81% and others.

Peru's construction sector has been one of the strongest components of the economy in recent years and achieved growth in 2007 of approximately 15%. This expansion has been propelled by strong overall economic growth, higher investments to install industrial capacity and a boom in the development of commercial ventures. It is expected that the construction sector will continue to be one of Peru's most dynamic sectors, due to investment projects in mining, energy and infrastructure. Peru's infrastructure deficit is estimated to require \$10 billion to correct, with the Government having established a goal of reducing this deficit by 50% by 2011. Reconstruction in the coastal areas of the country south of Lima impacted by the earthquake of August 2007 is also generating activity in this sector.

Despite the strength of this sector challenges remain, including labor problems, a slight shortage in supplies of basic materials and slowness, inefficiency or abuse of many municipalities in charge of granting authorizations and/or construction licenses.

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

HTS Code	Description	%
870423000	Truck, diesel eng. Gvw > 20 metric tons	31.3
8704101000	Cab chassis, dumpers designed for off-highway use	16.7
843149	Parts of machinery	11.1
842959	Backhoes, shovels, ditchers and trenchers, excavators, others	8.9
8430510000	Move, grade, level, scrap, excavator, self-prpld, nesoi	7.3
8474200010	Crushing or grinding machines for minerals, portable	5.6
870190	Tractors, with net. engine less than 223.8 kw, less than 373 kw or more kw, nesoi	4.0

Machinery used in the construction sector is mainly imported; with demand for equipment strong in virtually every product line.

The Ministry of Transport and Communications (MTC) estimates Peru's total road network has 49,100 miles, of which only 6,921 are paved, 10,685 mi. are compacted roads, 8767 mi. are gravel roads and another 22,723 mi. are trails. A new entity "ProVias" was formed in August 2002 from the Direccion Nacional de Caminos. Rest entities are in charge of new projects for road construction and design, maintenance and environmental impact studies. The financial means for implementation of such projects come from three main sources: 1. Ministry of Economy, 2. Ministry of Transport, and 3. Multinational Organizations and bilateral donors (such as the IDB, Corporacion Andina de Fomento (CAF), World Bank and Japan's Bank for International Cooperation (JBIC), etc.)

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In 2008, the Ministry of Transport and Communications expects to continue building 1,000 kilometers of roads annually. The budget for road programs in 2008 increased by 20% over 2007. ProInversion has been assigned the task of leading the privatization and concession program for the National Highway Network System. There are 13 highway networks to be concessioned in the near future representing 16,600 miles with an anticipated cost of approximately \$2.5 billion. In the capital of Lima, a road construction project involves the creation of an express route along one of the city's major thoroughfares (Paseo de la Republica).

Several port projects are also a priority, including those at Ilo in the region of Moquegua, Pisco (Ica), Paíta (Piura), Yurimaguas, Iquitos (Loreto), Chimbote (Ancash), Salaverry (La Libertad) and Pucallpa (Ucayali). A number of regional airport projects are also expected to be offered under concession, including Tacna, Juliaca, Arequipa, Madre de Dios, Ayacucho, Nazca and Apurimac.

During 2007 major construction projects underway in Peru also included major private sector initiatives. The largest single private development is a \$3-4 billion natural gas liquefaction plant in Pampa Melchorita, south of Lima. Other major undertakings include a variety of mining projects in San Cristóbal, Andaychagua, Carahuacra and Mahr Tunnel in Junín. Additional construction sites include the Hydroelectric Power Station G1 El Platanal in Cañete (Lima) and multiple major housing projects. To date, the Ministry of Housing, Construction and Sanitation has carried out 622 projects at national level with a total investment of \$ 306.2 million.

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Central Reserve Bank of Peru (BCRP): <http://www.brcp.gob.pe>

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

Customs : <http://www.aduanet.gob.pe>

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

Ministry of Transport and Communications:

http://www.mtc.gob.pe/portal/home/concesiones/concesiones_proceso.htm

Private Investment Promotion Agency (Proinversion):

<http://www.proinversion.gob.pe/0/0/modulos/JER/PlantillaOportunidad.aspx?ARE=0&PFL=0&JER=153>

Veritrade: <http://veritrade.info>

Computers and Peripherals

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	2005	2006	2007 (estimated)
Total Market Size	236.9	265.7	268.9
Total Local Production	N/A	N/A	N/A
Total Exports	3.6	3.1	3.1
Total Imports	240.5	268.8	272.0
Imports from the U.S.	160.2	169.4	184.0

(Statistics are unofficial estimates in millions of U.S. \$)

2007 Import Market Share (percent for US and Major Competitors): U.S. 67.6%; Singapore 7.0%; Switzerland 5.8%; Japan 4.0%; Hong Kong 2.7%; Chile 2.5%; Mexico 2.1%.

Internet related activities constitute the principal driver of demand for information and communication technology. The development of this market is the consequence of increasing preferences for fast speed and greater data transmission capabilities.

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

HTS Code	Description	%
8471300000	Portable digital automatic data processing machines, weighing not more than 10 kg. consisting of at least a central processing unit.	29.4
8471500000	Digital processing units other than those of subheading 8471.41 or 25847149, whether or not containing in the same housing one or two of the following type of units: storage units, input units, output units.	25.8
8471700000	Storage units	22.1
8471609000	Other card key and magnetic media entry devices	6.4
8471490000	Digital processing units entered in the form of systems	5.3
8471602000	Keyboards	3.3

Peru's Internet market has grown rapidly in the last several years and according to the Supervising Agency for Private Investment in Telecommunications (OSIPTEL) there were 1,028,755 Internet subscribers by the end 2006, an increase of 23.5% from 2005. The number of installed broadband connections is expected to surpass 535,000 connections by the end of 2007, which would represent an annual growth rate of 11%.

The major providers of Internet service in Peru include the following firm's:

ADSL: Telefonica of Peru (with a near monopoly and 90% market share).
 Dial Up Access: Telefonica Companies, Americatel Peru, Terra, Qnet.
 Cable/MODEM: Telefonica Multimedia, Global Star com.

Dedicated lines: Nextel, Telefonica Companies, Telmex Peru, RCP Infoductos.
Wireless Access: Telefonica Moviles, Nextel, Global Star.

Peru's PC market is dominated by machines utilizing the Windows NT operating system, which account for about 72% of the market. Approximately 40% of computers in use in Peru are locally assembled from components by computer technicians. It is estimated that 90% of the software utilized in the country is "pirated".

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A number of Government programs to enhance public access to the Internet should aid in bolstering demand for computers and equipment. These include the "One Laptop per Child" (OLPC) program being jointly implemented by the Government of Peru and non-governmental organizations. The plan intends to give three million portable computers of low cost to developing countries. Implementation of this program began in Peru in September 2007, when 50 students in the rural area of Arahua were provided with Internet access.

During 2008, Peru's Private Investment Promotion Agency (PROINVERSION), by means of public bid, will select the operators to implement a number of different communications development programs. Program "Internet Rural" will offer Internet access to 1,050 localities, benefiting 498 districts with an approximate investment of \$9 million made available from the resources of the Ministry of Transport and Communications. The "Rural Broadband at National Level" program, whose objective is to offer services communications to more than 2 million persons distributed across 23 departments, will invest approximately \$17 million. The selected operator will be required to provide connectivity for three services (access to Internet, public telephone service and residential telephone service).

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Customs: <http://www.aduanet.gob.pe>

Huascarán Project: <http://www.huascarán.edu.pe>

Ministry of Education: <http://www.minedu.gob.pe>
<http://www.perueduca.edu.pe/web/visitante/comunidad/articulos2007/proyectos>

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

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

Red Científica Peruana: <http://www.rcp.com>

Supervising Agency for Private Investment in Telecommunications (Osiptel):
<http://www.osiptel.gob.pe>

Veritrade: <http://www.veritrade.info>

Industrial Chemicals

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	2005	2006	2007 (estimated)
Total Market Size	480.4	539.0	598.9
Total Local Production	241.8	260.0	306.8
Total Exports	145.6	189.2	236.1
Total Imports	384.2	468.2	528.2
Imports from the U.S.	112.2	126.0	149.3

(Statistics are unofficial estimates in millions of U.S. \$)

2007 Import Market Share (percent for U.S. and major competitors): U.S. 28.3%; China 9.7%; Korea 7.5%; Colombia 6.6%; Belgium 6.4%; Brazil 5.7%.

The value of Peru's industrial chemical sector totaled US\$ 598.9 million in 2007 and was comprised primarily of imports. The sector grew by 11% in 2007 and increases of 10-14% are forecasted for the next two years (2008-2009). Peru produces around 200 industrial chemical substances, of which 80% is exported to other South American countries. Mining companies, based in the Andean region, are the major buyers of industrial chemicals in Peru. The second largest market is concentrated in the cities of the central coast, where most of Peru's manufacturing companies are located.

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

HTS Code	Description	%
381710	Mixed Alkyl benzenes	6.1
283531	Sodium triphosphates	4.0
292910	Toluenediisocyanates (unmixed)	3.3
320416	Reactive dyes & preparations based thereon	3.1
292610	Acrylonitrile	3.0
320610	Pigments & preparations based on titanium dioxide	2.3
291732	Diethyl orthophthalates	2.3
293040	Methionine	2.9
350691	Adhesives based on rubber, for sale, nt wt<1 kg.	1.9
320417	Pigments & preparations based thereon	1.7

While industrial chemicals are used in most industries, the highest demand during 2007 was in the mining (gold and copper), fishing, construction (PVC pipes and accessories, paints), agriculture, plastics, detergents, and textile industries. Peru's heavy reliance on imports of chemical raw materials will continue in the medium-term due to lack of petrochemical industries and limited local production, which is not able to supply the growing internal demand.

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Foreign investment and technology will be required to develop Peru's industrial chemical sector. Opportunities exist in the mining, industrial and manufacturing industries. Future growth of the sector will be driven largely by foreign investment in the following product lines: mining chemical raw materials (sodium cyanide and flocculants for sedimentation, clarification, thickening and filtration), specific textile dyeing inputs, solvents, detergents and softeners (alkyl benzenes and sodium triphosphates), toluenediisocyanates for manufacturing polyurethane resins, high tenacity nylon for the fishing industry, nylon monofilaments for the paint sector, and aluminum sulfate for water treatment, among others.

Resources

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

Manufacturers Society, Chemical Industry Committee: <http://www.sni.org.pe>

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

Oil and Gas Field Machinery

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	2005	2006	2007 (estimated)
Total Market Size	140.6	228.6	220.3
Total Local Production	N/A	N/A	N/A
Total Exports	8.2	8.0	5.5
Total Imports	148.8	236.6	225.8
Imports from the U.S.	65.5	77.6	87.9

(Statistics are unofficial estimates in millions of U.S. \$)

2007 Import Market Share (percent for U.S. and Major Competitors): U.S. 38.9%; Uruguay 14.5%; Sweden 6.7%; Canada 5.6%; Australia 5.1%; Italy 4.7%; Brazil 3.3%; France 3.2%.

The oil and gas sector in Peru grew 6.3% in 2007, fueled primarily by a 50% expansion in natural gas extraction. In 2007 the Peruvian government signed a record 24 hydrocarbon exploration and/or production contracts with international companies. By the end of 2007 Peru had 84 contracts in force: 65 for exploration/production and 19 for production. Additional exploration leases could be concluded in the second half of 2008.

Production of oil in Peru averaged 114,000 bdp during 2007 (including natural gas liquids). The Ministry of Energy and Mines projects a gradual increase, reaching 200,000 bpd in 2011 and 250,000 bpd in 2015. The Ministry expects Peru's hydrocarbons trade balance to turn favorable in 2010, due to increased natural gas exports and expansion of oil production.

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	%
7304290	Other Drilling Pipes	15.9
8430410	Self-propelled boring or sinking machinery	12.4
8430494	Offshore oil & natural gas drilling & production platforms.	
8430498010	Rotary Boring & sinking machinery for oil well & gas field drilling.	
8430498020	Others	12.2
8421398040	Gas separation equipment	7.4
841950	Heat exchangers	7.0
8413500010	Oil well and oil field pumps	5.1

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At the end of 2007, Peru's state petroleum entity, Perupetro, announced the modernization of its Talara refinery, with a required investment that could surpass \$1

billion. Separately, the Spanish firm Repsol also announced that they would invest in modernizing the La Pampilla refinery.

Several planned pipeline projects could also generate business opportunities for U.S. firms. These include an ongoing bidding process to identify private investors to construct and operate a natural gas pipeline in the Pisco-Ica region south of Lima. A second pipeline is planned to link the Camisea gas field in the Amazon with Urcos (Cuzco). In parallel with project to enhance gas distribution, the number of service stations retailing natural gas for vehicle use is increasing. At the end of 2007, 20 such stations existed serving some 19 thousand vehicles fueled by natural gas. In 2008, the construction of an additional 24 natural gas stations is planned for Lima.

Major investments are required in hydrocarbons exploration, production and distribution in order to achieve goals set for 2008. These include: a) converting 75 thousand vehicles to natural gas in Lima; b) concluding exploration contracts for more than 12 blocks available; c) making progress in the modernization of the refineries in the country in order to comply with the Law that regulates the diesel sulfur content. Perupetro will select the company that will be in charge of the modernization of the Talara refinery, at an investment of about \$1 billion dollars; d) development of new petrochemical plants; e) increase natural gas reserves incorporating the reserves in the deposits of the Southern Jungle of the country (block 57 in Cusco).

Upcoming Oil & Gas-related trade show in Peru:

FIGAS: Trade show specialized in Natural Gas and LPG

August 21-23, 2008

Place: Jockey Plaza Convention Center, Lima, Peru

Organizer: Thais Corporation S.A.

More information: http://www.thaiscorp.com/figas/site/index_en.html

Resources

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Customs: <http://www.aduanet.gob.pe>

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>

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

Peruvian Chamber of Vehicular Gas: <http://www.cpgnv.org.pe>

Supervising Agency for Investment in Energy and Mining: <http://www.osinergmin.gob.pe>

Veritrade: <http://www.veritrade.info>

Building Products

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	2005	2006	2007 (estimated)
Total Market Size	424.4	543.6	632.6
Total Local Production	423.1	534.7	588.5
Total Exports	169.2	210.2	244.6
Total Imports	170.5	217.5	258.4
Imports from the U.S.	40.5	49.5	61.2

(Statistics are unofficial estimates in millions of U.S. \$)

(2007 Import Market Share (percent for US and Major Competitors): U.S. 23.7%; China 18.9%; Chile 17.2%; Brazil 7.2%; Spain 6.7%; Colombia 4.7%; Ecuador 4.5%; Canada 2.8%; Argentina 2.5%; Italy 2.4%.

The current year should be an extremely promising year for the construction sector, with market growth in the sector expected to reach 15 - 30%. Favorable macroeconomic conditions, in parallel with new initiatives in the construction sector, have propelled not only construction of single-family homes by individual homeowners but also infrastructure projects.

As a result of these factors, demand for construction materials has grown rapidly, with the market made up of 60% local suppliers and 40% imports. Most producers of building supplies in Peru have been working at near capacity. Many companies in the sector have sought to expand capacity, but many must still cover some needs with imported products. At the end of 2006, many import tariffs on products in this sector were eliminated, encouraging imports and the entrance of new products from abroad.

Best Prospects

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

HTS Code	Description	%
7308906000	Columns, pillars, posts, beams, girders and similar structures, iron or steel	10.7
6908900010	Other glazed ceramic flags and paving, hearth and wall tiles fitting square 30 cm. Or more	7.8
7308909000	Sheet metal roofing siding flooring, etc iron or steel. Architectural and ornamental work, iron or steel. Structures and parts, others, iron and steel	5.7
7308200000	Towers and lattice masts of iron or steel	5.7
4407100000	Different woods sawn lengthwise, treated with paint or other preservative or not treated, in different lengthwise	4.8
7308400000	Equipment scaffolding, shuttering propping or pit propping	4.7
4410320000	Particle board surface-covered with melamine – impregnated	3.4

3917400000	Fittings for tubes, pipes & hoses, of plastic (elbows, joints)	2.8
9406000000	Prefabricated buildings of wood, metal, animal sheds of plastic, nesoi.	2.6
7303000000	Soil pipe and pressure pipe of cast iron, tubes, pipes and hollow profiles of cast iron, nesoi.	2.5

This sector has also been stimulated by favorable financing conditions, particularly eased access to mortgages, as well as by the previously mentioned elimination of tariffs and/or restrictions on imported products.

In 2007, the Fund for the Reconstruction of the South (FORSUR) was created by the Government of Peru to plan, develop and set priorities for projects in the southern area of Peru, including parts of Lima, Ica and Huancavelica. This organization will aid in the building of ten thousand earthquake resistant houses, with each beneficiary of the program receiving a government subsidy to cover a down payment, with remainder of the purchase price covered by a 20-year mortgage. At the beginning of 2008 FORSUR had 133 projects, of which 78% were being executed, 20% in the selection process and 2% already completed.

During 2008, the reconstruction of the cities affected by the earthquake of August 2007 (Pisco, Chincha, and Ica) should generate significant demand for construction equipment and building supplies.

For the period 2008-2009 imported products in highest demand should include, covered and uncovered fiberboard surfaces; building structures made of iron or steel; glazed ceramic products; equipment for scaffolding, tubes, pipes and fittings made of plastic; glass products; sanitary and kitchen equipment; drywall systems; and wall, floor and ceiling coverings.

Opportunities

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According to Peru's 2007 census, there is a deficit of more than 600,000 houses in the country among a population of 27 million. Remedying this housing deficit should aid in generating strong demand for building products. For housing projects directed to high-income levels, with preferences for finishing materials and appliances of high quality, imports from the U.S. and Europe benefit from strong demand. If the project is directed to lower income segments of the population, the cheapest items available among locally made products seem to be preferred.

There are important niches to be filled in the Peruvian market, including developing tailored glass designed for large- and medium-sized upscale building projects in urban areas. Other building products that seem to be showing an increase in demand are plumbing and finishing furnishing and accessories, and acoustical pads and boards.

U.S. products have a very good reputation in this sector and demand is expected to grow during 2008. Construction companies appreciate the quality of the U.S. goods and are interested in innovative products and new technologies.

Upcoming building products-related trade shows in Peru:

EXCON 2008

September 30 – October 5, 2008
Place: Jockey Club Convention Center, Lima, Peru
More information: <http://www.capeco.org>

Resources

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Chamber of Engineering and Construction Firms (Capeco): <http://www.capeco.org>

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

Customs: <http://www.aduanet.gob.pe>

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

Ministry of Housing, Construction and Sanitation: <http://www.vivienda.gob.pe>

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

Mi Vivienda Fund: <http://www.mivivienda.com.pe>

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

Veritrade: <http://veritrade.info>

Pumps, Valves, and Compressors

Overview

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	2005	2006	2007 (estimated)
Total Market Size	124.1	170.1	233.7
Total Local Production	N/A	N/A	N/A
Total Exports	9.2	5.9	8.3
Total Imports	133.3	176.0	242.0
Imports from the U.S.	60.6	85.4	101.5

(Statistics are unofficial estimates in millions of U.S. \$)

2007 Import Market Share (percent for US and Major Competitors): U.S. 41.9%; Italy 11.5%; Argentina 6.3%; China 6.2%; Germany 5.2%; Brazil 5.2%; Belgium 2.9%; Canada 2.2%.

Private investment is the main component driving demand for pumps, valves, and compressors in Peru. The market is mainly concentrated on projects in oil and gas, chemical and petrochemical industries, electricity generation, mining, food industries, and other industrial sectors such as the textile and plastics industries, all of which have shown favorable growth in recent years. New housing, water and sewage, and water treatment developments are also important consumers of pumps, valves, and compressors.

The volumes of local production are limited and produced in small scale.

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

HTS Code	Description	%
8413919050	Parts of hydraulic fluid power pumps	
8413919080	Other parts	11.6
8481803025	Valves of iron and steel, ball type	9.5
8413810030	Household water systems, self-contained; and windmill pumps and others	6.6
8414801645	Stationary, reciprocating, exceeding 19.4 kW but not exceeding 74.6 kW . Rotary exceeding 22.38 kW and over but not exceeding 74.6 kW	5.4
8414801655	Stationary, reciprocating, exceeding 74.6 kW and rotary exceeding 74.6 kW.	5.3
8414801675		
8413702	Submersible pumps, single-stage, single-suction, close-coupled with discharge outlet	5.3

The best prospects for imported products are those destined for the chemical and petrochemical projects, oil and gas (existing and future networks of pipelines for the

hydrocarbons transportation,) chemical and petrochemical projects (expansion, major repairs, and construction of new projects).

The dominant foreign supplier in this sector is the United States, a 41.93% market share. American products have competitive advantages in comparison to other suppliers as a result of a long, established presence in the market, availability, and perceived quality. Nonetheless, many Latin American made products have a price advantage, which is a challenge for U.S. exporters.

Opportunities

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Broad segments of the Peruvian economy are likely to see expanded levels of investment, foreign and domestic in the coming years. The extractive industries (mining and oil and gas) will continue to be leading areas of opportunities for U.S. firms. The construction sector is also expanding rapidly, including new business premises, shopping centers, department stores, supermarkets, housing projects, hydraulic energy projects, and port construction.

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

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

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

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

Veritrade: <http://www.veritrade.info>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Market Size	1,672	1,691	1,665
Total Local Production	172	175	180
Total Exports	0	0	0
Total Imports	1,500	1,516	1,485
Total Imports from U.S.	510	167	525

Comments: Peru produces about 175,000 MT of soft wheat, 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. led the market in 2007, followed by Argentina and Canada. Due to high international prices, the government eliminated import duties for wheat, though the 19 percent value-added tax remains in place.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Market Size	123	103	140
Total Local Production	77	68	83
Total Exports	3	3	3
Total Imports	49	38	60
Total Imports from U.S.	38	30	53

Comments: Since the approval of the ATPDEA in 2002, Peru has become one of the first South American countries to export clothing to the United States. Peruvian textile and apparel exports to the United States were expected to reach \$1.35 billion in 2007.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Market Size	2,300	2,700	3,080
Total Local Production	1,050	1400	1,600
Total Exports	0	0	0
Total Imports	1,250	1300	1,480
Total Imports from U.S.	190	347	290

Comments: Consumption of yellow corn is mainly for poultry production. At about 28 kilograms per capita, consumption of poultry is one of the highest in the region. A small market for High Oil Corn exists, and should grow in the near term. 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>2005</u>	<u>2006</u>	<u>2007</u>
Total Market Size	526	687	778
Total Local Production	1	1	1
Total Exports	0	0	0
Total Imports	650	661	777
Total Imports from U.S.	9	26	58

Comments: Peru imports soybean meal for poultry feed. Peru's main soybean meal suppliers are Argentina, Bolivia, Paraguay and the U.S. Soybean meal enters Peru duty free.

Dairy Products

Whey (MT)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Market Size	6,517	7,221	7,832
Total Local Production	0	0	0
Total Exports	3	0	0
Total Imports	6,520	7,221	7,832
Total Imports from U.S.	1,874	2,712	3,500

Comments: Whey is spreading as a food ingredient for its multiple uses. In 2007, Peru's whey imports were 7,832 MT (\$13.2 million) – coming mainly from the U.S. (47 percent), Chile (21 percent), and France (19 percent).

Cheese (MT)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Market Size	10,145	13,120	13,527
Total Local Production	8,189	11,300	11,700
Total Exports	3	5	2
Total Imports	1,959	1,825	1,829
Total Imports from U.S.	676	663	733

Comments: Annual per-capita cheese consumption is only 0.36 Kg, but growing. The target market for imported cheese is the high and middle-income consumer. In 2007, Peru's imports accounted for 1,829 MT (\$7.4 million). The U.S. is the leader with 40 percent of market share of Peru's imports, followed by Argentina with 21 percent.

Beef and Offals (MT)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Market Size	170,790	202,013	209,601
Total Local Production	153,109	187,134	193,241
Total Exports	33	8	35
Total Imports	17,717	14,887	16,395
Total Imports from U.S.	0	1,967	2,625

Comments: In 2007, total imports reached 16,395 MT (\$21 million), which mainly came from Brazil (37 percent), Argentina (30 percent), Paraguay (12 percent), U.S. (14 percent) and Bolivia (4 percent). U.S. Beef and offals exports to Peru are recovering

from a more than two-year ban. In 2007, U.S. exports were mainly offals, reaching 2,625 MT.

Pet Food (MT)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Market Size	31,895	36,890	37,921
Total Local Production	23,000	29,230	32,300
Total Exports	270	1,743	4,685
Total Imports	9,165	9,402	10,306
Total Imports from U.S.	816	799	2,067

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 2007, Argentina, Colombia and the U.S. were major exporters to Peru with 46, 23 and 20 percent, respectively.

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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Peru imposes no duties on 53.6% of the items in its tariff schedule (3,943 codes covering some agricultural and intermediate goods, parts, capital goods not produced locally, drip irrigation systems, some vehicles, books, some information technology items, liquefied petroleum gas, and some fuels); 9% duties on 35.6% of the items (2,616 codes mainly consumer goods, and some intermediate goods); and 17% duties on 10.8% 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 5.0% (including surcharge), down from over 60% in the mid-1990's.

Most imports (95% of codes) are also subject to a 19% 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 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.

The Peruvian tax collecting agency (Superintendencia Nacional de Administracion Tributaria – SUNAT) has implemented new systems of collecting taxes in advance (VAT and income) as means to assure tax collection throughout the distribution channel and

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, Venezuela, 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 if 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 (\$69 approximately). 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 of it, 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.

Food packaging must be made of harmless material, free from 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 goat, sheep, and venison, and their products from the United States are banned due to scrapie disease. Imports of remanufactured goods will be permitted once the U.S.-Peru Trade Promotion Agreement enters into force. 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 2008 one UIT is 3,500 Nuevos Soles (approx. US\$1,170.) In practice Customs is applying a US\$28 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. Laura Calderon – National Superintendent

Mr. Enrique Vejarano – National Deputy Superintendent of Internal Taxes

Av. Gamarra 680, Chucuito, Callao, Peru

(511) 465-5885, 469-0058, fax (511) 465-3221

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

Mr. Jose Armando Arteaga – 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) 578-2624, <http://www.inassagroup.com.pe>

- b) SGS del Peru: (511) 575-2020, <http://www.pe.sgs.com>
- c) BSI Inspectorate Peru: (511) 613-8080, <http://www.inspectorate.com.pe>
- d) EQUAS S.A.: (511) 548-0180, 348-1230, 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. The laboratories that can provide assistance to U.S exporters are:

- a) INTERTEK Testing Services Peru: (511) 562-0022,
- b) CESMEC Peru: (511) 452-1223, 464-0248, cesmec@cesmecperu.com.
- c) CIMM Peru: (511) 457-5284, 457-5321, cimmperu@millicom.com.pe.
- d) Instituto La Molina Calidad Total Labs: (511) 349-2192,
<http://www.lamolina.edu.pe/calidadtotal/>, calitot@lamolina.edu.pe.
- e) EcoLab: (511) 337-5414, <http://www.ecolab.com.pe>, ecolab@terra.com.pe.

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:

John Simmons, Commercial Counselor

Gustavo Romero, Commercial Specialist
Phone: (511) 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, implementation has been postponed three times, and the target date may be postponed further as Peruvian trade officials concurred with industry representatives and economists who raised concerns that the implementation of the CET as initially agreed would lead to increased tariffs on several consumer products and lower Peru's competitiveness.

Within the framework of the Latin American Integration Association (ALADI), Peru has signed bilateral trade agreements with Argentina, Brazil, Chile, Cuba, Mexico, Paraguay, and Uruguay. Although tariff concessions under most of these agreements are relatively limited, Peru's 1998 agreement with Chile calls for the elimination of all trade barriers by the year 2016. In 2006, Peru and Chile signed an agreement broadening the reduction of tariffs.

Peru is a member of the WTO and became a full member of the Asia Pacific Economic Cooperation (APEC) forum in November 1998. Peru signed a partial free trade agreement with Thailand in November 2005, but the two governments continue negotiations on sensitive agricultural products. The Peruvian Government has also begun free trade negotiations with Singapore and several other Asian countries. The Andean Community began negotiations with the European Union holding two rounds of negotiations in September and December 2007, although Peru has expressed an interest in entering into bilateral negotiations with the EU to conclude a trade accord.

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 February 2008. ATPDEA for Peru can be extended for an additional six-month period to allow for implementation of the PTPA. ATPDEA allows unilateral duty free access to the U.S. market for 6,300 products (including items such as textiles, handicrafts and tuna). In December 2005, the United States and Peru finalized negotiations for a bilateral trade agreement. The agreement was approved and ratified by the Peruvian Congress in June 2006, and approved by the U.S. House of Representatives and Senate in November and December 2007. President Bush signed the PTPA on December 14, 2007. Peru is currently the 40th largest export market for U.S. goods, with U.S. exports exceeding US\$4.1 billion in 2007, growing 40.7% from 2006). In early 2008 Peru and Canada concluded a trade agreement.

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Notify U.S.: <http://www.nist.gov/notifyus/>

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

Products requiring certificates of origin:

<http://www.aladi.org/Nsfaladi/normimp.nsf/wvnormasp/Per%C3%BA>

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Openness to Foreign Investment

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The Peruvian government seeks to attract investment -- both foreign and domestic -- in nearly all sectors of the economy. The U.S.-Peru Trade Promotion Agreement (PTPA), signed by President Bush and President Garcia on December 14, should enable Peru to attract additional investment by clarifying rules for investors, increasing transparency, reducing barriers to trade, establishing faster customs procedures, and improving the dispute settlement process. Peru does not have a bilateral investment treaty (BIT) or tax treaty with the United States, but these provisions are contained in the PTPA. The U.S. Congress extended unilateral trade preferences under the Andean Trade Preferences Act (modified by the Andean Trade Preferences and Drug Eradication Act, or ATPDEA) to Peru, Colombia, Bolivia and Ecuador through February 2008 and may extend again until the end of 2008 by which time the FTA is expected to enter into force. The U.S. Government recognized Peru's progress in economic policy and other issues by selecting Peru for the Millennium Challenge Account's Threshold Program for fiscal year 2007.

During the early 1990s, the Peruvian government promoted economic stabilization and liberalization policies by lowering trade barriers, lifting restrictions on capital flows and opening the economy to foreign investors. Peru experienced marked growth in foreign investment from 1993-1998. Economic reform and privatization slowed in the late 1990s however, leading to a discernible drop in direct and indirect foreign investment flows. Investment remained stagnant following the collapse of President Alberto Fujimori's government in November 2000, and through the period of an interim government and the election of President Alejandro Toledo in 2001.

During his tenure, President Toledo implemented several pro-investment policies. In April 2002, the government established ProInversion, building on the foundation of COPRI, the privatization agency created in 1991. ProInversion seeks to be a "one-stop shop" for current and potential investors, and has successfully completed both concessions and privatizations of state-owned enterprises and natural resource based industries. In 2004, Las Bambas, a copper deposit, was concessioned to Xstrata TLC, a Swiss company, for US\$121 million. In 2005, Bayovar, a state-owned phosphate rock deposit, was given in concession to a Brazilian company for a 3 percent royalty, and ProInversion granted British-owned Rio Tinto a concession for the La Granja copper deposit for US\$22 million. Additionally, from January-November 2006, the oil and gas leasing agency Perupetro granted 15 exploration concessions to foreign oil companies, including 8 to 5 U.S. companies, along the northern coast and in the jungle. An additional 18 leases were granted to foreign oil firms in 2007.

In addition to the 1993 Constitution (enacted January 1, 1994), major laws concerning foreign direct investment in Peru include the Foreign Investment Promotion Law (Legislative Decree (DL) 662 of September 1991) and the Framework Law for Private Investment Growth (DL 757 of November 1991). The two 1991 laws were implemented by Supreme Decree 162-92-EF (October 1992). Two other important laws are the Private Investment in State-Owned Enterprises Promotion Law (DL 674) and the Private Investment in Public Services Infrastructure Promotion Law (DL 758).

The 1993 Constitution guarantees national treatment for foreign investors and permits foreign investment in almost all economic sectors. Prior approval is only required in the banking (for regulatory reasons, and also applies to domestic investment) and defense-related sectors. Foreign investors are advised to register with ProInversion to obtain the guarantee that they will be able to repatriate capital, profits and royalties. Foreigners are legally forbidden from owning a majority interest in radio and television stations in Peru; nevertheless, foreigners have in practice owned controlling interests in such companies. Under the Constitution, foreign interests cannot "acquire or possess under any title, mines, lands, forests, waters, or fuel or energy sources" within 50 kilometers of Peru's international borders. However, foreigners can obtain concessions and rights within the restricted areas with the authorization of a supreme resolution approved by the Cabinet and the Joint Command of the Armed Forces. All investors -- domestic and foreign -- need prior approval before investing in weapons manufacturing industries.

In 1991, the Peruvian government began an extensive privatization program, encouraging foreign investors to participate. From 1991 through September 2005, privatization revenues totaled US\$9.4 billion, of which foreign investors were responsible for the vast majority. Over three-quarters of these transactions took place from 1994 to 1997. The government has made only limited progress on privatizations since then, and prospects for future direct privatizations are not encouraging. The government has consequently shifted to a strategy of promoting multi-year concessions as a means of attracting investment into major projects. In 2000, the Lima airport was concessioned to a private group (Lima Airport Partners), and in August 2006, nine of Peru's northern airports were given in concession for 25 years to Swissport. Peru's other airports, as well as various electricity, water, sewage, and oil (Petroperu) companies remain state-owned and operated. In June 2006, the Container Terminal-South Pier of the important seaport of Callao was given in concession for 30 years to a consortium of P and O Dover (U.K.) and Uniport (Spain).

In June 2004, the Congress passed a law to exclude the state-owned oil company Petroperu from privatization and authorized Petroperu to conduct exploration and production activities. This modified the government's policy since the early 1990s, when it sold all of Petroperu's exploration and production units and a major oil refinery. Under this new law, the government still has an option of granting concessions on remaining Petroperu assets, including one pipeline and several refineries. In July 2006, Congress defeated an executive veto of a bill to "strengthen and modernize" Petroperu. Under the new law, Petroperu can resume exploration, production and related activities, including petrochemicals; is freed from contracting approval by CONSUCODE, the state procurement supervision agency; is exempted from the approval of its investment projects by the Government Projects Office (SNIP); and will have a worker on its board of directors. Petroperu has a strategic alliance with Brazil's Petrobras.

Under the 1993 Constitution, foreign investors have the same rights as national investors to benefit from any investment incentives, such as tax exemptions. The PTPA establishes a secure, predictable legal framework for U.S. investors operating in Peru. All forms of investment are protected under the Agreement. U.S. investors will enjoy in almost all circumstances the right to establish, acquire and operate investments in Peru on an equal footing with local investors.

Conversion and Transfer Policies

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Under Article 64 of the 1993 Constitution, the Peruvian government guarantees the freedom to hold and dispose of foreign currency; hence, there are no foreign exchange controls in Peru. All restrictions on remittances of profits, dividends, royalties, and capital have been eliminated, although foreign investors are advised to register their investments with ProInversion (as noted above) to ensure these guarantees. Exporters and importers are not required to channel foreign exchange transactions through the Central Reserve Bank of Peru, and can conduct transactions freely on the open market. Anyone may open and maintain foreign currency accounts in Peruvian commercial banks. U.S. firms have reported no problems or delays in transferring funds or remitting capital, earnings, loan repayments or lease payments since Peru's economic reforms of the early 1990s.

The 1993 Constitution guarantees free convertibility of currency. There is, however, a legal limit on the amount that private pension fund managers can invest in foreign securities. In May 2004, the Central Reserve Bank of Peru (BCR) increased this limit from 9 percent to 10.5 percent. The low limit has created local market distortions, trapping liquidity in Peru that is diverted into local equities and bonds, driving up their prices to artificially high levels. The BCR's new board, appointed by the Garcia Administration, intends to gradually raise this limit, beginning with an increase to 12 percent. By the end of January 2008 this limit was raised to 17%. Under the PTPA, portfolio managers in the U.S. will be able to provide portfolio management services to both mutual funds and pension funds in Peru, including to funds that manage Peru's privatized social security accounts.

The BCR is an independent institution, free to manage monetary policy to maintain financial stability. The BCR's primary goal is to maintain price stability, via inflation targeting. Inflation in Peru was 1.5 percent in 2005, 1.1 percent in 2006, and 3.9 percent in 2007. The government has also implemented policies to de-dollarize the economy,

and deposits in the local currency (nuevo sol). Dollars accounted for about 60% of loans and 57% of deposits as of December 2007.

Expropriation and Compensation

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According to the Constitution, the Peruvian government can only expropriate private property on public interest grounds (such as for public works projects) or for national security. Any expropriation requires the Congress to pass a specific act. The Government of Peru has expressed its intention to comply with international standards concerning expropriations.

Dispute Settlement

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Dispute settlement continues to be problematic in Peru, although the GOP took steps in 2005 to improve the dispute settlement process. From December 2004 through 2006, the GOP established 24 commercial courts to rule on investment disputes, including two courts of appeal. All of these courts are located in Lima. The commercial courts have substantially improved the process for commercial disputes. Prior to the existence of the commercial courts, it took an average of two years to resolve a commercial case through the civil court system. These new courts, which have specialized judges, have reduced the amount of time to resolve a case to two months. Additionally, the enforcement of court decisions has been reduced from 36 months to 3-6 months. While about 40 percent of decisions are appealed, most of these are resolved at the appeals level; very few are appealed to the Supreme Court.

The criminal and civil courts of first instance and appeal are located in the provinces and in Lima. The Supreme Court is located in Lima. In principle, secured interests in property, both chattel and real, are recognized. However, the judicial system is often extremely slow to hear cases and to issue decisions. In addition, court rulings and the degree of enforcement have been difficult to predict. The capabilities of individual judges vary substantially, and allegations of corruption and outside interference in the judicial system are common. The Peruvian appeals process also tends to delay final decisions. As a result, foreign investors, among others, have found that contracts are often difficult to enforce in Peru. The exposure in 2000 of a network of corrupt judges controlled by Fujimori advisor Vladimiro Montesinos led to promises by subsequent governments to address corruption and reform the judiciary, but progress has been slow.

Under the 1997 Law of Conciliation (DL 26872), which went into effect on January 1, 2000, disputants in many types of civil and commercial matters are required to consider conciliation before a judge can accept a dispute to be litigated. Private parties often stipulate arbitration to resolve business disputes, as a way to avoid involvement in judicial processes.

Peru's commercial and bankruptcy laws have proven difficult to enforce through the courts. There is an administrative bankruptcy procedure under INDECOPI (the National Institute for the Defense of Free Competition and the Protection of Intellectual Property), but it has proven to be slow and subject to judicial intervention. The creditor hierarchy is similar to that established under U.S. bankruptcy law, and monetary judgments are usually made in the currency stipulated in the contract.

International arbitration of disputes between foreign investors and the government or state-controlled firms is included in the 1993 Constitution. Although Peru theoretically accepts binding arbitration, on a few occasions over the past three years, parastatal companies and Government Ministries disregarded unfavorable judgments. Previously, the Government of Peru turned these arbitration cases over to the judiciary, where they were bureaucratically delayed until the companies conceded the cases. However, effective July 2005, the Supreme Court ruled that all arbitration findings and awards are final and not subject to appeal.

Peru is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention of 1958), and to the International Center for the Settlement of Investment Disputes (the Washington Convention of 1965). Disputes between foreign investors and the Government of Peru regarding pre-existing contracts must still be submitted to national courts. However, investors who conclude a juridical stability agreement for additional investments may submit disputes with the government to national or international arbitration if stipulated in the agreement. In 2005, the government resolved a high-level dispute by upholding the decision of an arbitration panel and making payment.

Several private organizations -- including the Universidad Catolica, the Lima Chamber of Commerce and the American Chamber of Commerce -- operate private arbitration centers. The quality of these centers varies, however, and investors should choose a venue for arbitration carefully.

The U.S.-Peru Trade Promotion Agreement includes a chapter on dispute settlement. The core obligations of the Agreement, including labor and environment provisions, are subject to the dispute settlement provisions of the agreement. Dispute panel procedures set high standards of openness and transparency through; open public hearings; public release of legal submissions by parties; special labor or environment expertise for disputes in these areas; and, opportunities for interested third parties to submit views. The Agreement emphasizes promoting compliance through consultation and trade-enhancing remedies.

Performance Requirements and Incentives

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Peru offers both foreign and national investors legal and tax stability agreements to stimulate private investment. These agreements guarantee that the statutes on income taxes, remittances, export promotion regimes (such as drawback), administrative procedures, and labor hiring regimes in effect at the time of the investment contract will remain unchanged for that investment for 10 years. To qualify, an investment must exceed US\$10 million in the mining and hydrocarbons sectors or US\$5 million in other sectors within two years. An agreement to acquire more than 50 percent of a company's shares in the privatization process may also qualify an investor for a juridical stability agreement, provided that the infusion will expand the installed capacity of the company or enhance its technological development.

There are no performance requirements that apply exclusively to foreign investors. Legal stability agreements are subject to Peruvian civil law, which means they cannot be altered unilaterally by the government. Investors are also offered protection from liability for acquiring state-owned enterprises.

Laws specific to the petroleum and mining sectors also provide assurances to investors. However, in 2000, the government modified the General Mining Law, substantially reducing benefits to investors in that sector. Among the changes were: a reduction in the term concessionaires are granted to achieve the minimum annual production; an increase in fees for holding non-productive concessions; an increase in fines for not achieving minimum production within the allotted time; a reduction in the maximum allowable annual accelerated depreciation; and revocation of the income tax exemption for reinvested profits. In 2004, Congress approved a bill charging a 1 to 3 percent royalty on mining companies' sales. The changes do not affect those investors who have signed legal stability agreements with the government. Under the U.S.-Peru Trade Promotion Agreement, Peru agreed to eliminate a measure affecting any sector in which a government concession is needed, such as transportation, energy and mining, that requires U.S. enterprises to buy locally. In the future, U.S. companies will be free to purchase on the basis of price and quality, not origin of goods in these sectors.

In December 2006, after increased social demands for a share of mining profits, the Garcia Administration and mining companies agreed to a "voluntary contribution" system whereby mining companies will invest in community infrastructure projects. This agreement averted adoption of a more restrictive mining law, and allows mining companies to control where they invest their contributions, and ceases to apply if the prices of mined products drop.

Parties may freely negotiate contractual conditions related to licensing arrangements and other aspects of technology transfer without prior authorization. Registry of a technology transfer agreement is required for a payment of royalties to be counted against taxes. Such registration is automatic upon submission to ProInversion.

Current laws limit foreign employees to no more than 20 percent of the total number of employees in a local company (whether owned by foreign or national interests), and restricts their combined salaries to no more than 30 percent of the total company payroll. However, DL 689 (November 1991) provides a variety of exceptions to these limits. For example, a foreigner is not counted against a company's total if he or she holds an immigrant visa, has a certain amount invested in the company (currently about US\$4,000) or is a national of a country that has a reciprocal labor or dual nationality agreement with Peru. Foreign banks and service companies, and international transportation companies are also exempt from these hiring limits, as are all firms located in free trade zones. Furthermore, companies may apply for exemption from the limitations for managerial or technical personnel. With the entry into force of the U.S.-Peru Trade Promotion Agreement, Peru has agreed to exceed its commitments made in the WTO, and to dismantle significant services and investment barriers, such as measures that require U.S. firms to hire nationals rather than U.S. professionals and measures requiring the purchase of local goods.

Right to Private Ownership and Establishment

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Foreign and domestic entities are generally permitted the right to establish and own business enterprises and to engage in most forms of remunerative activity. Subject to the restrictions listed earlier in this document, both foreign and domestic entities may invest in any legal economic activity -- including foreign direct investment, portfolio investment, and investment in real property. Private entities may generally freely establish, acquire, and dispose of interests in business enterprises. In the case of some

privatized companies deemed important by the government, privatization agency ProInversion has included a so-called "golden share" clause in the sales contract, which allows the government to veto a potential future purchaser of the privatized assets.

Protection of Property Rights

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As noted in the Dispute Settlement section, in principle, secured interests in property (both chattel and real) are recognized. However, the Peruvian judicial system is often very slow to hear cases and to issue decisions, outcomes have been difficult to predict and enforce, and corruption is frequently alleged. The Peruvian appeals process also delays final outcomes of cases. Thus, foreign investors, among others, have found that contracts are often difficult to enforce in Peru. Improving the judicial system is a stated priority of the Peruvian Government.

Protection of intellectual property rights (IPR) in Peru has improved over the past decade, but still falls short of U.S. and international standards in several areas. Peru remains on USTR's Special 301 "Watch List" due to concerns about continued high rates of copyright piracy, a lack of protection for confidential test data submitted for the marketing approval of pharmaceutical and agrochemical products, and inadequate enforcement of IPR laws, particularly with respect to the relatively weak penalties that have been imposed on IPR violators.

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, <http://www.indecopi.gob.pe>), established in 1992. Legislative Decree 822 of 1996 and Andean Community Decisions 344 and 486 protect patents, trademarks, and industrial designs. Copyrights are protected by Legislative Decree No. 822 of 1996 and by Andean Community Decision 351.

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 U.S.-Peru Trade Promotion Agreement, Peru agrees to ratify or accede to the following agreements by the date of entry into force of the agreement: the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite (1974); the Budapest treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1977) as amended in 1980; the WIPO Copyright Treaty (1996); the WIPO Performances and Phonograms Treaty (1996); the Patent Cooperation Treaty (1970) as amended in 1979; the Trademark Law Treaty (1994); and the International Convention for the Protection of New Varieties of Plants (1991)(UPOV Convention). Peru agrees to make a reasonable effort to ratify or accede to the following agreements: the Patent Law Treaty (2000); the Hague Agreement Concerning the international Registration of Industrial Designs (1999); and

the Protocol Relating to the Madrid agreement Concerning the international Registration of Marks (1989).

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. Although Peruvian law provides for effective trademark protection, counterfeiting of trademarks, copyrighted products, and imports of pirated merchandise are widespread. The International Intellectual Property Alliance estimates that the piracy level in Peru for recorded music was 98 percent in 2005-2006, with damage to U.S. industry estimated at US\$53.5 million. IIPA estimates motion picture piracy accounts for 63 percent of the market for a loss of US\$12 million. IIPA considers that software piracy levels dropped slightly to 70% while estimated trade losses due to business software piracy rose in 2006 to US\$27 million.

Peru's Copyright Law is generally consistent with the TRIPs Agreement. However, textbooks, books on technical subjects, audiocassettes, motion picture videos and software are widely pirated. While the government, in coordination with the private sector, has conducted numerous raids over the last few years on large-scale distributors and users of pirated goods, and has increased other types of enforcement, piracy continues to be a significant problem for legitimate owners of copyrights in Peru.

Despite increased enforcement actions by INDECOPI, the judicial branch has failed to impose sentences that adequately deter future IPR violations. The Peruvian government in July 2004 increased the minimum penalty for piracy to four years imprisonment, although there have yet to be any convictions under the new law. Peru now has six prosecutors (two fiscalias) dedicated full-time to intellectual property cases. In a major breakthrough, in November 2006, four special courts of first instance and one special appeals court in Lima were assigned IPR duties, effective 2007.

An IPR Toolkit for Peru can be found on the Embassy and Commercial Service Lima's website (<http://www.buyusa.gov/peru/en/196.html>). Besides being a guide to registering and protecting IP, it contains a list of lawyers and other organizations that can provide support on an on-going basis.

Under the U.S.-Peru Trade Promotion Agreement, in all categories of intellectual property rights (IPR), U.S. companies will be treated at least as well as Peruvian companies, and the agreement makes a number of important improvements to IPR protections. The Agreement provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent, both with U.S. standards of protection and enforcement and with emerging international 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 test data, including an electronic system for the registration and maintenance of trademarks; and further deterrence of piracy and counterfeiting of criminalizing end-user piracy.

The transparency and independence of regulatory processes have become central issues for foreign investors in Peru. Many of the central government entities with which foreign firms must deal -- including the entities that maintain the company registry and supervise securities and exchanges (CONASEV), handle privatization and investment issues (ProInversion), and handle competition policy and intellectual property matters (INDECOPI) -- have procedures that are relatively transparent and predictable. Banks, insurance companies and private pension funds are regulated primarily by the Superintendence of Banking and Insurance (SBS), which is charged with determining the qualifications of potential market entrants and regulating firms once they have begun operations. SBS regulations are also seen as being transparent. 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.

When the GOP privatized state-owned monopolies in the areas of telecommunications, electrical generation and distribution, and the hydrocarbons sector in the late 1990s, it also established regulatory institutions to oversee the newly private sectors. Delays and lack of predictability in the rulings of these institutions, including OSIPTEL (telecom) and OSINERG (energy), have at times in the past been notable impediments to doing business in Peru.

In December 2005, OSIPTEL published a new law that lowers Peru's high mobile termination rates to levels comparable to international rates over a 3-year period. Several U.S. companies have encountered problems with the energy sector regulator (OSINERG) over its hesitancy to provide clear regulation for the energy sector. Some regulatory agencies have in the past been subject to politically motivated government intervention in their technical operations.

U.S. firms have complained that SUNAT's aggressive behavior and interpretation of law are often contrary to the spirit of the law and intent of government policies, complicating normal business operations. The remuneration of SUNAT employees is determined, in part, by the theoretical tax liability they uncover in audits.

Businesses point out that SUNAT's retroactive reinterpretation of regulations and laws, its levying of disproportionate fines, and initiation of full company audits when companies request a refund or legal revaluation of assets for depreciation purposes, create additional investment and trade barriers. In one case, a U.S. firm requested an improper drawback of US\$1,345, only to face SUNAT fines of US\$645,000. Although the case was resolved, new legislation was needed to correct the problem. In instances involving airline fuels, certain minerals, and other products, SUNAT declared that these goods sold abroad, which under Peruvian government policy are exempted from taxes, were not considered exports and were therefore subject to VAT. Two recent laws were necessary to correct this practice for airline fuels and services. SUNAT often does not follow standard international practice in the way it taxes new activities. To correct these problems, the independent tax tribunals act to check any abuses by SUNAT. In 2004, the GOP established a tax ombudsman who must approve SUNAT's request to appeal adverse tax tribunal decisions. In the past two years, the tax ombudsman has acted in several cases to end unwarranted litigation of disputed assessments. In 2005, a U.S. company won long-standing tax cases against SUNAT as a result of these improvements.

A 2006 World Bank study found that Peru has significantly lowered the average amount of days it takes to start a business from 98 (2005 study) to 72, but it remained at that same number in their 2008 report. Various procedures -- such as obtaining building licenses or certificates of occupancy -- require many steps. Municipal authorities issue most licenses and requirements vary widely by locality. As a result, information on necessary procedures is often difficult to obtain. Business people often complain of excessive red tape; one major foreign investor found that starting project construction and a business required several hundred permits, many of which the responsible government entities were unaware they had to issue. Other investors argue that local governments and municipalities, which are seeking new revenue sources, sometimes withhold licenses or create regulations, thus hindering the ability to do business or making it costlier. Even though import tariffs are substantially lower than previously (the simple average tariff is 5.0 percent ad valorem as of March 2008; the trade-weighted average using 2007 import figures is 2.5 percent), import duties, together with the 19 percent value added tax on goods, high social security tax rates, and certain labor laws, increase investment costs significantly and hinder the efficient mobilization and allocation of investment capital. Businesses can apply for VAT reimbursement.

Efficient Capital Markets and Portfolio Investment

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Credit is allocated on market terms and the banking industry in Peru is generally considered to be competitive in offering services to business customers. Private pension funds have competed in recent years with financial companies for bonds issued by companies, as demand for securities greatly exceeds supply. Foreign investors can obtain credit on the local market and several of them have done so in the last few years as terms were more competitive than those of the usual international centers. The private sector has access to a variety of credit instruments. From January through early December 2007, firms placed US\$1.67 billion on the local bond market (compared with US\$1.55 billion in CY 2006), which has been propelled in recent years by demand for investment instruments by private pension fund companies. By November 2007, pension funds managed a total of US\$20.2 billion, a 47 percent surge over the November 2006 level (US\$13.7 billion), thus creating a huge and growing appetite for financial instruments by pension funds. The low 17 percent cap placed by the Central Bank on what the pension funds can invest abroad provides local bond issuers (including the government) and loan seekers with a captive capital market.

All firms listed on the Lima Stock Exchange (Bolsa de Valores de Lima) or the Public Registry of Securities must be vetted by CONASEV, the National Commission for the Supervision of Companies, Securities and Exchanges, which maintains the Public Registry of Securities and Stock Brokers. CONASEV is the Peruvian government entity charged with the study, promotion, and regulation of the securities and commodities markets; the control of market participants; the maintenance of a transparent and orderly market; the setting of accounting standards; and the publication of financial information about covered companies. As part of CONASEV's goal to promote market transparency, to prevent monopolies, and to prevent fraud, issuers of stock are required to inform CONASEV and the relevant stock exchange or body in charge of supervising the centralized trading mechanism, of events that affect or might affect the stock, the company, or any public offerings. Although trading on insider information is technically a crime, no one has been charged and punished under the law.

Total assets of the commercial banks were US\$36.2 billion at the end of 2007, 40% above the same period of 2006. The banking system is considered generally sound, as it weathered rather well the economic impact of a severe El Nino weather phenomenon and global financial turmoil in 1997-98. Sound supervision, combined with competition, led to a significant consolidation in the sector, which still continues. Consequently, 12 commercial banks comprise the system, of which 3 banks account for just over three-fourths of loans and almost four-fifths of deposits. Banks have revamped operations, increased capitalization, and reduced costs in recent years. As of December 2007, foreigners had significant shares in nine banks, of which they were majority owners of five commercial banks (including two of the country's large ones.) Under the SBS's conservative criteria, 1.26% of total loans were assessed as non-performing as of December 2007, down from a high of 11% in early 2001. The system also has 3 specialized institutions ("financieras") and 39 thriving micro-lenders and savings banks.

Larger private firms often use "cross-shareholding" and "stable shareholder" arrangements to restrict investment by outsiders -- not necessarily foreigners -- in their firms. As close families or associates generally control ownership of Peruvian corporations, hostile takeovers are practically non-existent. Peruvian law and regulations do not authorize or encourage private firms to adopt articles of incorporation or association to limit or restrict foreign participation; nor are there any private or public sector efforts to restrict foreign participation in industry standards-setting organizations.

In 2006, SBS approved a license for the first U.S. company to provide retail credit services, thus increasing competition for incumbent banks and Chilean finance companies.

Foreign direct investment registered with ProInversion as of June 2007 was US\$15.37 billion, compared with US\$15.31 billion a year earlier. Foreign portfolio investment (dematerialized holdings of securities only) totaled US\$22.7 billion at the end of December 2007, up from 9.6 billion in October 2006, and 7.7 billion in December 2005.

Political Violence

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Although political violence against investors is not a common practice, the mining and petroleum communities witnessed an increase in protests, some violent, in 2005. These leveled off in 2006. In September 2007, residents of three northern Piura towns voted overwhelmingly in a referendum to reject mining projects in their region, which has stalled development of a large copper mining project. Other communities around Peru have expressed interest in holding similar referenda. These protests caused several foreign companies to significantly delay or abandon plans to establish operations. Protests against the mining industry occurred for various reasons. Although environmental concerns were often the cited pretext, in many cases protestors were seeking social infrastructure investments not provided by the government. Often times, well-organized groups, such as the Ronderos (local self-defense groups established during the Shining Path terrorist attacks) or NGOs, exaggerated a local community's concerns, bringing in protestors from outside the local community to foment protests against the companies. In at least two incidents in 2005 and 2006, the local mayor and other local authorities led strikes against two large foreign mining companies in an effort to secure additional funds or development promises from the companies. During 2007, there were road blockages and acts of vandalism by groups protesting mining operations, coca growers protesting the Government's eradication policies, and farmers

seeking increased government tariff protections and financial support. Some indigenous communities in an oil production area used river and road blockages as a way to press for their demands on a long-standing pollution case. A common thread for many protests is the lack of government provision of basic services such as health and education. Another complaint that can underlie what appear to be environmental protests is a lack of access by local communities to the various "canons," the funds set aside by the government out of the taxes or royalties paid by the oil, gas and mining firms for local community development. In some mining areas, firms and local leaders have alleged that narcotraffickers are fomenting protests as a way to keep prying eyes away from their activities.

When significant conflicts developed in the first few months of the Garcia Administration, cabinet ministers and often the Prime Minister became personally involved in successfully resolving the protests. The government established a commission in late 2006 to prevent and resolve social conflicts in the extractive industries. In addition, various NGOs have become involved in conflict resolution activities. At the same time, the National Society of Mining and Petroleum (SNMPE), as well as the government, have become involved in assisting local communities to access the extractive industry canons as a way to both stimulate local development and head off social conflicts. It is reasonable to posit that many of these efforts should pay off to reduce social conflicts for investors in 2007.

Political violence remains a concern in the coca-growing regions. The Shining Path (Sendero Luminoso) terrorist organization has become increasingly aggressive and involved in narcotrafficking in these areas. Sendero remnants are presumed to have killed 11 police, 20 civilians, and one member of the military, and committed over 80 terrorist acts in coca-growing areas during 2007. The Shining Path killed eight civilians and five police officers in 2006, and were responsible for 92 serious terrorist incidents that year. In December 2005, the Shining Path killed 13 police officers in several ambushes in coca-growing areas of Huanuco and Apurimac. President Garcia continues to reauthorize 60-day states of emergency in parts of Peru's five departments where the Shining Path operates, suspending some civil liberties and giving the armed forces authority to maintain public order.

There is little government presence in the remote coca-growing zones of the Monzon and the Apurimac-Ene River valleys. The U.S. Embassy in Lima restricts visits by official personnel to these areas because of the threat of violence by narcotics traffickers and remaining columns of the Shining Path. Information about insecure areas and recommended personal security practices can be found at <http://www.ds-osac.org/>.

Corruption

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It is illegal in Peru for a public official or employee to accept any type of outside remuneration for the performance of his or her official duties. Peru has ratified both the UN Convention Against Corruption and the Organization of American States' Inter-American Convention Against Corruption. Peru is not a member of the Organization of Economic Cooperation and Development, and has not signed the OECD Convention on Combating Bribery.

Peru is one of four nations worldwide participating as a pilot country in the G8 anti-corruption and transparency initiative. The U.S., other G8 partners and NGOs helped

the Peruvian government develop an action plan that includes activities in six areas: a) citizen information/internet connectivity; b) improving central government fiscal transparency; c) development of GOP procurement systems; d) improving regional/local government transparency and management; e) improvement of transparency of extractive industry revenues; and f) development of asset forfeiture systems and legislation.

The G8 initiative has already shown some positive results. A hemisphere-wide state procurement organization – the Inter-American Organization of Government Procurement Institutions – was created under the leadership of Peru's State Procurement Council (CONSUCODE). As of January 2007, eight countries are in the process of adopting the network agreement, prior to its signature (Bolivia, Colombia, Ecuador, Honduras, Mexico, Paraguay, Peru and Paraguay). Also, efforts are underway to provide Internet connections to approximately 90 municipal governments located in areas most affected by terrorism and poverty. The rural connectivity project will allow these governments access to national systems, part of the GOP's E-government initiatives, aimed at creating greater transparency and citizen access to public information.

U.S. firms have reported only a small number of problems directly resulting from corruption, usually in government procurement processes and in the judicial sector, but the revelation in late 2000 of a broad and deep corruption ring organized by former presidential advisor Vladimiro Montesinos heightened awareness of the problem. Transparency International ranked Peru number 72 (out of 179 countries) in its 2007 Corruption Perception Index. While anti-corruption efforts have been a stated priority of both the Toledo and Garcia Governments, in practice most resources are directed at investigating Fujimori-era corruption. In 2001, President Toledo appointed an anti-corruption "czar" to lead government efforts, but this official resigned in 2002. The Judge Carolina Lizarraga was appointed in October 2007 as the head of the newly created National Office for Anti-Corruption. She is appointed for a period of three years. Private sector groups have increased efforts to combat corruption through an NGO called "ProEtica," which represents Transparency International in Peru.

Bilateral Investment Agreements

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Peru has signed bilateral investment agreements with 31 countries (listed below), but not with the United States. The U.S.-Peru Trade Promotion Agreement (PTPA), signed by President Bush on December 14, eliminates the need for a bilateral investment agreement.

Peru's Current Bilateral Investment Agreements:

Argentina (1994)	Ecuador (1999)	Paraguay (1994)
Australia (1995)	El Salvador (1997)	Portugal (1994)
Belgium-Luxembourg E.U. (2005)	Finland (1995)	Rumania (1994)
Bolivia (1993)	France (1993)	Singapore (2003)
Chile (2000)	Germany (1995)	Spain (1994)
China (1994)	Italy (1994)	Sweden (1994)
Colombia (1994)	Korea (1993)	Switzerland (1991)
Cuba (2000)	Malaysia (1995)	Thailand (1991)
Czech Rep (1994)	Netherlands (1994)	United Kingdom (1993)

Denmark (1994)

Norway (1995)

Venezuela (1996)

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC), an independent U.S. Government agency, offers medium- to long-term financing and political risk insurance. OPIC signed agreements with Peru in December 1992, and in July 1994, OPIC began approving requests for political risk insurance (including for inconvertibility of currency). In 2001, OPIC provided project finance loans of US\$108.4 million. In 2005, OPIC provided US\$800 million worth of insurance coverage for a copper mine and a startup finance company received US\$27 million worth of OPIC insurance coverage. Because of the free convertibility of currency, the U.S. Embassy purchases Peruvian currency for expenses on an as-needed basis, at the market exchange rate. The U.S. dollar depreciated against the Nuevo Sol in 2007 to under 3 Nuevos Soles. Peru is a member of the Multilateral Investment Guarantee Agency.

Labor

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Labor is abundant and trainable, although there are shortages of highly skilled workers in some fields and wages for professional staff are high (sometimes higher than U.S. wages in the mining sector for positions in the managerial and consulting fields). On October 1, 2007 the government increased the statutory monthly minimum wage by 10 percent to 550 Nuevos Soles (about US\$180.) Some workers, like miners, are highly paid and also (per statute) receive a share of company profits. The law provides for a 48-hour workweek and one day of rest and requires companies to pay overtime for more than eight hours of work per day and additional compensation for work at night. Unions in essential public services, as determined by the government, must provide a sufficient number of workers during a strike to maintain operations. The law bans government unions in essential public services from striking. It also requires strikers to notify the labor ministry in advance before carrying out a job action. According to the labor ministry, one legal strike and 65 illegal strikes took place during the year. According to labor leaders, permission to strike was difficult to obtain, in part because the labor ministry feared harming the economy. The Ministry of Labor justified its decisions by citing unions' failure to fulfill the legal requirements necessary to strike.

The presence of organized labor in the Peruvian economy has declined; in 2005, 8.6 percent of the labor force was organized. Unemployment in Lima officially stood at 7.5% during the fourth quarter of 2007, compared with 7.4% a year earlier. Surveys show that 50.2% of Lima's economically active population was underemployed in the third quarter of 2007 (52.4% in the same period of 2006), mostly working in the informal sector for below subsistence wages.

In 1991-1992, a new labor law and other related statutes replaced extremely inflexible old statutes and regulations. The new laws allow for multiple forms of unions across company or occupational lines, thus permitting multiple unions in the same company. Workers in probation status or on short-term contracts are not eligible for union membership. Bargaining agreements are considered contractual agreements, valid only for the life of the contract. Productivity provisions must be included in any collective bargaining agreement. The number of officials and the amount of time union officials may devote to union work with pay is limited to 30 days per year. Unless there is a pre-

existing labor contract covering an occupation or industry as a whole, unions must negotiate with each company individually. A labor law passed in July 1995 liberalized hiring. Business leaders lauded the above changes, saying they led to greater efficiency. Labor leaders disagreed, arguing that the new labor laws eroded labor protections and encouraged outsourcing in a way that undercuts union activity.

With Peru's return to democracy in 2000, Peruvian organized labor regained some, but by no means all, of the protections enjoyed in the pre-Fujimori era. A decision by the Constitutional Tribunal in 2004, for example, legitimized collective industry-wide bargaining in the civil construction industry. Labor leaders saw this as a potential precedent to be applied to other activities, but that has not yet happened. Furthermore, new laws added to labor inflexibility because the restrictions for termination and downsizing have made businesses reluctant to hire new employees and have created incentives to outsource.

Either unions or management can request binding arbitration in contract negotiations. Strikes can be called only after approval by a majority of all workers (union and non-union) voting by secret ballot and only in defense of labor rights. Unions in essential public services, as determined by the government, must provide a sufficient number of workers during a strike to maintain operations.

The 1993 Constitution provides for a maximum workday of eight hours, with 48 hours as the maximum week. The labor code also sets 24 hours rest per week and 30 days paid annual vacation for all workers. Workers readily sacrifice these and other benefits in exchange for regular employment. Strike activity declined markedly over the ensuing nine years and since new labor laws were passed, worker efficiency rose substantially. However, strikes and militant industrial action increased again in late 2002 and early 2003, with additional strikes in 2004. The overall number of strikes fell in 2005. Through September 2007, there were 55 strikes with a loss of 1,366,272 man-hours, compared with 15 strikes and a loss of 72,704 man-hours in the same period of 2006.

Congress continues to debate a comprehensive labor law reform, which may result in a return to inflexibility of the conditions of dismissal for employees.

Foreign-Trade Zones/Free Ports

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Peruvian law currently covers two types of free trade zones: export, transformation, industry, trade and services zones (CETICOS), and a free trade zone (ZOFRATACNA) in Tacna. The rules and tax benefits applying to these zones are the same for foreign and national investors.

Companies established at the CETICOS and ZOFRATACNA, which export no less than 92 percent of their output (more than 80 percent of production for the Loreto CETICOS and more than 50 percent for ZOFRATACNA), are exempted until 2012 from all taxes, dues and contributions to the central government and municipalities, particularly income, sales (IGV), Municipal Promotion (IPM) and excise (ISC) taxes. CETICOS exist at Ilo, Matarani and Paita, with one authorized but not operating at Loreto. There is a concern that the Peruvian Government does not have the proper WTO waivers to validate the CETICOS export requirement. The U.S. automotive industry has expressed a specific concern that U.S. brands are unable to compete with used Japanese vehicles that enter the Peruvian market duty-free through the CETICOS.

The stock of registered foreign direct investment in Peru was US\$15.4 billion in June 2007 according to ProInversion, versus US\$14.3 billion at the end of 2006. ProInversion data place Spanish investors as holding the largest share (32 percent), with US\$4.6 billion invested. The United States is the second largest investor, with US\$2.7 billion, and the United Kingdom is third, with US\$2.6 billion. The statistics are skewed because ProInversion records investments on the basis of country registry, rather than control. Thus, an investor registered in the Bahamas, for example, is recorded as British even if the parent is a U.S. company. As a result, U.S.-controlled investment represents a much higher share than the official 17.5 percent and probably exceed US\$5 billion. By sector, communications received 31.6 percent of foreign direct investment, followed by the mining industry (18.8 percent), manufacturing (15.0 percent), and finance (12.5 percent.)

As of the end of 2007, investors had signed 667 legal stability contracts with the Government of Peru through ProInversion. Legal stability contracts commit the government not to apply any future changes in the income tax, labor and other laws governing a specific investment in exchange for commitments to invest a given amount. In addition to these contracts, the Government of Peru has signed numerous tax, foreign exchange and administrative stability contracts through several ministries, mainly the Ministry of Energy and Mines. Investors may subscribe legal stability contract with a minimum investment of US\$10 million in the mining and oil industries an US\$5 million in other sectors.

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Andean Community: <http://www.comunidadandina.org/endex.htm>

IPR Toolkit: <http://www.buyusa.gov/peru/en/196.html>

Lima Airport Partners: <http://www.lap.com.pe/>

Lima Stock Exchange: <http://www.bvl.com.pe/english/>

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

National Institute for the Defense of Competition and Protection of Intellectual Property: <http://www.indecopi.gob.pe/>

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

National Superintendence of Taxation: <http://www.sunat.gob.pe>

National Supervisory Committee of Corporations and Securities: <http://www.conasev.gob.pe/>

Overseas Private Investment Corporation: <http://www.opic.gov/>

Overseas Security Advisory Council: <http://www.ds-osac.org/>

Petroperu: <http://www.petroperu.com.pe/>

ProInversion: <http://www.proinversion.gob.pe/english/default.asp>

State Procurement Council: <http://www.consucode.gob.pe/>

Superintendence of Banking and Insurance: <http://www.sbs.gob.pe/>

Tacna Free Trade Zone: http://www.zofratacna.com.pe/home_ing.htm

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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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The most common method of payment for exports to Peru is via open accounts, accounting for 60% of total transactions, according to Banco de Crédito del Perú, Peru's largest bank. 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, with letters of credit accounting for about 16% of transactions (down from close to 100% before 1990). Other payment methods are also used, including factoring, banker's acceptances, cash in advance, etc. 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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With the opening to foreign institutions in the early 1990s, the Peruvian financial system modernized rapidly and became fairly competitive. Peru's banking system is composed of 11 commercial banks, 41 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 4 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 is generally to follow regulatory guidelines set by the Switzerland-based Bank for International Settlements (BIS) where possible. For example, bank financial statements must be audited in compliance with internationally accepted auditing standards; in cases not covered by BIS guidelines, regulators use standards set by the U.S. Financial Accounting Standards Board. In addition, SBS regulations require that all deposit-taking institutions have periodic compulsory assessments by at least two independent credit rating agencies, whose capacity to perform is assessed by the SBS.

Customer deposits carry insurance financed by commercial bank contributions to an insurance fund. The amount is adjusted quarterly on the basis of the wholesale price index. For the December 2007-February 2008 period, accounts are insured up to S/. 79,277 (about US\$27,000.) As it is legally empowered to do, the Central Bank envisions having 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 banking system is highly concentrated after a consolidation process underway since 1998. As of December 2007, the three largest banks held 74.3% of loans and 77.8% of deposits. Total commercial banking system assets were US\$34.8 billion, up from an earlier peak of US\$18.6 billion in November 2002. The commercial bank loan portfolio trended down in recent years, but rallied vigorously from February 2004, reaching US\$20.4 billion in December 2007. After topping out at nearly 12% in mid 2001, non-performing loan portfolios dropped to 1.26% at the end of December 2007, an historic record even with the SBS's tough standards. Dollarization has been trending downward since 2002, helped by reduced devaluation expectations and the appreciation of the Nuevo Sol since 2003, to 60% of loans and 57% of deposits at the end of December 2007.

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, kept a tight lid on the amount that local pension funds can invest in foreign securities. As of January 2008, this limit rose to 17% of pension funds, a limit that the new Central Bank governor has indicated will not be restrained as tightly as in recent years. At the end of December 2007 pension funds had invested abroad 13.2% of the total funds (US\$2.7 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 December 2007, 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 and/or from multilateral development banks. 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 was inaugurated 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. Contact the US Commercial Service Lima office for a list of these companies.

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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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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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The U.S. Department of State issues Consular Information Sheets for all foreign countries, including Peru. This document may be obtained via the Internet, at website http://travel.state.gov/travel/cis_pa_tw/cis/cis_998.html, or from the Embassy website <http://peru.usembassy.gov>; from the Consular Affairs Bureau, Office of Overseas Citizen Services, Department of State, Room 4817, Department of State, 2201 C. Street, N.W., Washington, D.C., 20520; or from the U.S. Embassy at the address noted in Chapter 9: Contacts, Market Research, and Trade Events. Travel information in general is also available at the telephone number (202) 647-5225, or fax (202) 647-3000. Useful information on guarding valuables and protecting personal security while traveling abroad is provided in the Department of State pamphlet “A Safe Trip Abroad.” This publication, as well as others such as “Tips for Travelers to Central and South America,” is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402.

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 should contact the Peruvian Consulate General Office in Washington, D.C. at 1625 Massachusetts Avenue, N.W., 6th Floor, Washington, D.C. 20036, telephone number (202) 462-1081, or the nearest Peruvian consulate for visa information. There are Peruvian consulates in Boston, Chicago, Denver, Hartford, Houston, Los Angeles, Miami, New York, Patterson, San Francisco, and Washington D.C.

In general, the Department of State recommends that all U.S. citizens traveling overseas register with the American Citizen Services Unit, Consular Section, of the U.S. Embassy. Travelers may register their stay in Peru online at <https://travelregistration.state.gov/ibrs>. The U.S. Embassy in Peru is located on Avenida La Encalada, Block 17, Monterrico, Lima. The American Citizen Services Unit is open from 8:00 am to 11:30 am on weekdays, except U.S. and Peruvian holidays. Prior registration will facilitate the replacement of a lost or stolen U.S. passport. The loss or theft of a U.S. passport overseas should be reported immediately to the local police and the nearest U.S. Embassy or Consulate. The Embassy telephone number is (511) 618-2000. In case of an emergency after working hours, U.S. citizens should contact the Embassy at 618-2936.

Visa applicants should go to the following links.

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

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

U.S. Embassy Lima Consular Section: <http://lima.usembassy.gov/visageneral.html>

Please note that applicants must qualify on their own merits, and that visas cannot be issued solely based on an invitation from a U.S. business or individual.

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 in 1994. A long distance phone call to the States is around US\$0.30 per minute while Internet access is widely available often through Internet cafes. Services are being offered such as: ADSL Internet access, CableNet internet access, fixed wireline and wireless broadband services, Wi-Fi hot spots solutions (currently in some districts, hotels and universities) and VoIP long distance service. Telefonica has 61.3% of the mobile market and 88.6% 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 (America Movil subsidiary) and Nextel.

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 nineteen international passenger airlines, and six airline companies serving routes within Peru. The U.S. offering service with direct flights between the U.S. and Peru. Including American Airlines, which has two daily non-stop services between Lima and Miami; Delta Airlines with one daily non-stop flight to Atlanta; and Continental Airlines offering daily non-stop services to Newark and Houston. The low fare company, Spirit Airlines started operations in 2007, with one daily non-stop flight to Ft. Lauderdale. Lan Peru offers non-stop service to Miami and Los Angeles. All international flights arrived to "Jorge Chavez International Airport" in Lima. Most of these airline companies also provide cargo transportation services.

Domestic flights between Lima and larger cities in Peru are provided by Lan Peru, Taca, L.C. Busre, Aerocondor, ATSA, and Star Peru. Cusco is the second busiest airport within Peru with more than 15 daily flights from Lima.

Railways

The railway system in Peru is not well-developed and is quite limited. Passenger services are provided by PeruRail offering the routes between either Cusco or the Sacred Valley and Machu Picchu in Aguas Calientes and between Cusco and Lake Titicaca in Puno. Ferrocarril Central Andino (FCCA) provides seasonal weekend tourist train services from Lima to Huancayo.

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\$20. 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 to one 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	March 20, 2008
Good Friday	March 21, 2008
Labor Day	May 1, 2008
Saints Peter and Paul	June 29, 2008
Independence Day	July 28-29, 2008
Saint Rose of Lima	August 30, 2008
Battle of Angamos	October 8, 2008
All Saints' Day	November 1, 2008
Immaculate Conception	December 8, 2008
Christmas Day	December 25, 2008
New Year's Day	January 1, 2009

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

President's Day	February 18, 2008
Memorial Day	May 26, 2008
Independence Day	July 4, 2008
Labor Day	September 1, 2008
Columbus Day	October 13, 2008
Veterans Day	November 11, 2008
Thanksgiving	November 27, 2008
Martin Luther King	January 19, 2009

Temporary Entry of Materials and Personal Belongings

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Goods for 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/>

State Department Consular Information Sheet for Peru:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_998.html

U.S. Embassy Lima: <http://peru.usembassy.gov>

State Department Travel Registration: <https://travelregistration.state.gov/ibrs>.

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

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

U.S. Embassy Lima Consular Section: <http://peru.usembassy.gov/geninfo.html>

Peruvian Customs Information in English:
http://www.sunat.gob.pe/aduanas/version_ingles/index.html

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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
John Simmons, Commercial Officer
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
Website: <http://www.buyusa.gov/peru/en/>
www.export.gov

Trade Information Center in Washington: 1-800-USA-TRADE
<http://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
Maria Cameron, Desk Officer
Email: Maria_Cameron@ita.doc.gov (Maria(underscore)Cameron@ita.doc.gov)
Tel.: (202) 482-0475 Fax: (202) 482-0464 or (202) 482-4726
Website: www.doc.gov/.

U.S Department of State (U.S. Embassy Lima, Peru)
Unit 3730
APO AA 34031
Ambassador P. Michael McKinley
Adam Shub, Economic Counselor
Marcos Mandojana , Economic Officer
Andrea Doyle, Economic Officer
Miguel Yopez, 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
Barbara Thomas, Peru Desk Officer
Email: thomasbm@state.gov 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
Eugene Philhower, Regional Agricultural Counselor
Email: aglima@usda.gov
Carlos Gonzalez, Agricultural Attaché
Email: Carlos.Gonzalez@fas.usda.gov
Gaspar Nolte, Agricultural Specialist
Email: Gaspar.Nolte@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
Carolyn Cohen, Area Director 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
Jeanne Bailey, Western Hemisphere Area Director, Office of Foreign Service Operations
Email: Jeanne.Bailey@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
Tel.: (202) 565-3477 Fax: (202) 565-3931
Xiomara.creque@exim.gov

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel.: InfoLine: (202) 336-8799
FactsLine:(202) 336-8700
Fax: (202) 408-8959
Email: info@opic.gov
Website: www.opic.gov
Peter Ballinger, Director, Business Development
Tel.: (202) 336-8644 Fax: (202) 218-0104
Email: pballinger@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
Anne McKinney, Regional Director
Jorge Esteban, Country Manager
Email: jesteban@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) 447-0168, 447-1322 Fax: (511) 446-0469
Website: www.pcm.gob.pe
Jorge del Castillo, President of the Council of Ministers

Ministerio de Agricultura
(Ministry of Agriculture)
Psje. Francisco de Zela s/n, Jesus Maria
Lima 11, Peru
Tel.: (511) 613-5800 / 433-3034, 433-2219 Fax: (511) 432-0990, 431-0109
Website: www.minag.gob.pe
Ismael Benavides, Minister

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
Mercedes Araoz, Minister

Ministerio de Economía y Finanzas
(Ministry of Economy and Finance)
Jr. Junin 319, Piso 4

Lima 1, Peru
Tel.: (511) 426-8495 Fax: (511) 428-2101
Website: www.mef.gob.pe
Luis Carranza, Minister

Ministerio de Energia y Minas
(Ministry of Energy and Mines)
Av. Las Artes 260
San Borja
Lima 41, Peru
Tel.: (511) 224-4301 Fax: (511) 224-4490
Website: www.minem.gob.pe
Juan Valdivia, Minister

Ministerio de la Produccion
(Ministry of Production)
Calle Uno Oeste s/n, Piso 7
Urb. Corpac, San Isidro
Lima 27, Peru
Tel.: (511) 616-2200 Fax: (511) 616-2200 x705
Website: www.produce.gob.pe
Rafael Rey, 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
Luis Alva Castro, Minister

Ministerio de Relaciones Exteriores
(Ministry of Foreign Affairs)
Palacio Torre Tagle, Ucayali 363
Lima 1, Peru
Tel.: (511) 311-2402 Fax: (511) 311-2406
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) 431-3331 Fax: (511) 431-0093
Website: www.minsa.gob.pe
Hernan Garrido Lecca, 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
Eng. Javier Hernández, Director

Ministerio de Transportes y Comunicaciones
(Ministry of Transport and Communications)
Calle Zorritos 1301
Lima 1, Peru
Tel.: (511) 315-7800 Fax: (511) 315-7618
Website: www.mtc.gob.pe
Veronica Zavala, 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
Enrique Cornejo, 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
David Lemor, Executive Director

Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad
Intelectual (INDECOPI)
(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
Fax: (511) 224-0347 / (511) 224 7800 ext. 1715, atención al ciudadano
Website: <http://www.indecopi.gob.pe>
Jaime Thorne, President
Ana Maria Capurro, General Manager

Programa Mi Empresa - Dirección Nacional de la Micro y Pequeña Empresa del
Ministerio de Trabajo y Promoción del Empleo
(Labor Ministry's National Office for the Small and Micro Enterprise)
Jr. Cuzco 177, Lima
Lima 1, Peru
Tel.: (511) 428-5742
Fax: (511) 428-5742
E-mail: acastro@mintra.gob.pe
Website: <http://www.miempresa.gob.pe>
Hugo Rodriguez, Executive Director

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

Dr. Oscar Dominguez, National Chief

Instituto Nacional de Recursos Naturales (INRENA)

Ministerio de Agricultura

(Supervises matters related to use, exports, development, and preservation of land and natural resources such as wetlands, woodlands and wildlife)

Calle 17 No. 355

Urb. El Palomar, San Isidro

Lima – 27, Peru

Tel.: (511) 225-3287, 224-3298, 225 1057 (directo de Jefatura Sr. Camino)

Fax: (511) 224-3218

Website: www.inrena.gob.pe

Jose Luis Camino, Chief

Organismo Supervisor de la Inversión en Energía y Minería – OSINERGMIN

(Supervising Agency for Investment in Energy and Mining)

Bernardo Monteagudo 222, Magdalena

Lima – 17, Peru

Tel.: (511) 219-3400, 219-3410, 219-3411 Fax: (511) 264-0450 x.350

E-mail: osinerg@osinerg.gob.pe

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

Alfredo Dammert, President

Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público – OSITRAN

(Supervising Agency for Investment in Public Use Transport Infrastructure)

Av. Republica de Panama 3659, San Isidro

Lima – 27, Peru

Tel.: (511) 440-5115 Fax: (511) 421-4739

E-mail: info@ositran.gob.pe

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

Juan Carlos Zevallos, President

Organismo Supervisor de la Inversión Privada en Telecomunicaciones – OSIPTEL

(Supervising Agency for Private Investment in Telecommunications)

La Prosa 136 , San Borja

Lima – 41, Peru

Tel.: (511) 225-1313, 225-2145 Fax: (511) 475-1816

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

Guillermo Thornberry, President

Superintendencia Nacional de Servicios de Saneamiento - SUNASS

(National Superintendence of Sanitation Services)

Av. Bernardo Monteagudo 210 – 216 Magdalena del Mar

Lima – 17, Peru

Tel.: (511) 264-1440 Fax: (511) 264-4020
Website: <http://www.sunass.gob.pe>
Jose Salazar, President

Private Sector Associations

American Chamber of Commerce of Peru (AmCham)
Av. Ricardo Palma 836, Miraflores
Lima – 18, Peru
Tel.: (511) 241-0708, 241-0710 Fax: (511) 241-0709
E-mail: amcham@amcham.org.pe
Website: www.amcham.org.pe
Jaime Raygada, President
Aldo Defilippi, Executive Director

Confederacion Nacional de Instituciones Empresariales (CONFIEP)
(Confederation of Private Enterprise Institutions)
Av. Victor Andres Belaunde 147, Edificio Real 3, Piso 4 San Isidro
Lima – 27, Peru
Tel.: (511) 415-2555 Fax: (511) 415-2566
E-mail: postmaster@confiep.org.pe
Website: www.confiep.org.pe
Jaime Caceres, President
Ximena Zavala, General Manager

Sociedad Nacional de Industrias (SNI)
(National Society of Industries)
Los Laureles 365 San Isidro
Lima – 27, Peru
Tel.: (511) 616-4444 Fax: (511) 442-2573 / (511) 442-2570 / (511) 616-4433
E-mail: sni@sni.org.pe
Website: www.sni.org.pe
Eduardo Farah, President
Federico De Aparici, General Manager

Sociedad Nacional de Minería, Petróleo y Energía
(National Mining, Petroleum and Energy Society)
Francisco Graña 671, Magdalena del Mar
Lima - 17, Peru
Tel.: (511) 460-1600 Fax: (511) 460-1616
E-mail: postmast@snmpe.org.pe
Website: www.snmpe.org.pe
Ysaac Cruz Ramirez, President
Katerina Podesta, General Manager

Asociacion de Exportadores (ADEX)
(Exporters' Association)
Av. Javier Prado Este 2875 San Borja
Lima – 41, Peru
Tel.: (511) 618-3333, 346-2530 Fax: (511) 346-1879
Email: postmaster@adexperu.org.pe, cid@adexperu.org.pe

Website: www.adexperu.org.pe
Jose Luis Silva Martinot, President
Luis Helguero, General Manager

Camara de Comercio de Lima
(Lima Chamber of Commerce)
Gregorio Escobedo 398 Jesus Maria
Lima – 11, Peru
Tel.: (511) 463-3434, 261-4400 Fax: (511) 463-9864
E-mail: webmaster@camaralima.org.pe
Website: www.camaralima.org.pe
Samuel Gleiser, President
José Rosas Bernedo, General Manager

Camara de Comercio de Arequipa
(Arequipa Chamber of Commerce)
Quesada 102-104, Yanahuara
Arequipa, Peru
Tel: (5154) 25-4188
E-mail: ccia@camara-arequipa.org.pe
Website: www.camara-arequipa.org.pe
Eng. Luis Chavez Bellido, President

Camara de Comercio de Lambayeque
(Lambayeque Chamber of Commerce)
Av. Balta 504-506
Chiclayo, Peru
Tel: (51-74) 23-8081, Fax: (51-74) 23-3040
E-mail: camara@cclam.org.pe
Website: www.cclam.org.pe
Otto Zoeger Navarro, President

Camara Peruana de la Construccion (CAPECO)
(Chamber of Engineering and Construction Firms)
Victor Andres Belaunde 147, Edificio Real 3, Of. 402,
San Isidro, Lima 27, Peru
Tel.: (511) 441-7032/ Direct: (511) 422 5566/ Fax: (511) 441-7028
E-mail: gerencia@capeco.org
Website: www.capeco.org
Lelio Balarezo, President
Carlos Vegas, General Manager

Asociacion de Bancos
(Association of Banks)
Calle 41 #975, Urb. Corpac San Isidro
Lima – 27, Peru
Tel.: Direct: (511) 612-3303 / Switchboard: (511) 612-3333
Fax: (511) 612-3300
Email: estudioeconomicos@asbanc.com.pe
Website: www.asbanc.com.pe
Oscar Rivera Rivera, President

Enrique Arroyo, General Manager

Asociacion de Industriales Lacteos
(Dairy Association. Producers of dairy products)
Sociedad Nacional de Industrias
Los Laureles 365 San Isidro
Lima 27 - Peru
Tel.: (511) 616 4444 ext. 165
Fax (511) 441-1639
E-mail: adil@sni.org.pe
Rolando Piskulich, Manager

Asociacion Peruana de Porcicultores
(Pork Producers Association. Importers of animals, equipment and feed grain for pork production)
Pomalca 327 Urb. Centro Comercial Monterrico, Surco
Lima – 33, Peru
Tel.: (511) 436-3729, 436-4168 Fax: (511) 436-3729
E-mail: asoporci@terra.com.pe
Ana Maria Trelles, General Manager

Asociacion Peruana de Avicultura
(Poultry Producers Association. Importers of baby chicks, equipment and inputs for poultry and egg production)
Esmeralda 255 Chacarilla del Estanque
Lima – 33, Peru
Tel.: (511) 372-1551, 372-1540 Fax: (511) 372-1538
E-mail: apavic@apavic.com
Website: www.apavic.com
Pedro Mitma, President
Mario Berrocal, General Manager
Percy Separovich, Health Safety Manager

Fongal Lima
(Dairy Producers Association. Importers of inputs, equipment, and cattle for milk production)
Pumacahua No. 877, Of. 306 Jesus Maria
Lima – 11, Peru
Tel: (511) 431-0549 Fax: (511) 423-4642
E-mail: fongallima@infonegocio.net.pe
Javier Valera, President

Comite de Molinos de Trigo
(Wheat Millers Committee. Importers of wheat)
Los Laureles 365 San Isidro
Lima – 27, Peru
Tel.: (511) 616 4444 ext. 131 / (511) 442-2460 Fax: (511) 442-4351
E-mail: adaly@sni.org.pe
Alejandro Daly, Manager

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Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

<http://www.buyusa.gov/peru/en/32.html>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. 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

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov/peru/en/5.html>

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