



TRADE POLICY REVIEW

REPORT BY

PERU

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Peru is attached.

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1 INTRODUCTION

1.1. During the trade policy review period (2013-18), the Peruvian economy experienced sustained economic growth and registered one of the highest growth rates in the region. As in previous review periods, Peru presented strong macroeconomic fundamentals. This sustained growth has enabled the continued improvement of social indicators such as employment and has helped to reduce poverty and inequality.

1.2. It is hoped that this growth path will continue over the coming years, spurred on by internal demand and the Government's efforts to introduce economic policy measures aimed at improving the potential growth of the economy by further boosting competitiveness and productivity, as well as fiscal sustainability.

1.3. Peru's investment policy seeks to guarantee domestic and foreign investors a predictable and favourable legal framework that would enable them to help narrow the gap in infrastructure and public services, as well as generate productive employment and competitiveness in the country.

1.4. In parallel, Peru has developed a trade policy based on the National Strategic Export Plan – PENX 2025, which has three objectives: enabling local companies to go international; increasing diversified exports; and enhancing competitiveness. These efforts are in line with the policy tools implemented over the past decades, such as unilateral tariff liberalization, international trade negotiations, and domestic competitiveness and facilitation policies related to foreign trade.

1.5. Peru is planning to maintain its policy of openness and liberalization and to continue supporting efforts to consolidate a predictable international trading system based on fair competition, clear rules and the reduction of barriers to trade. It will also continue to implement trade development and facilitation policies in order to consolidate Peru's presence in the global arena by helping Peruvian companies to go international.

1.6. Peru's trade and investment policies are important tools to boost the country's economic growth with the ultimate objective of contributing to social inclusion and improving people's living standards. For this reason, Peru is looking to expand investment opportunities, including those relating to natural resources, agro-industry, textiles and tourism. Peru guarantees a stable and predictable legal framework and, during the review period, received positive forecasts from recognized risk assessment agencies, which approved the level of investment granted and raised Peru's sovereign credit rating.¹ Similarly, The World Bank's *Doing Business 2019* report ranks Peru 68th out of 190 countries for ease of doing business, and fifth among Latin American countries.²

2 ECONOMIC ENVIRONMENT

2.1. Despite the unfavourable international climate, between 2013 and 2018 the Peruvian economy maintained strong growth and was one of the highest growing economies in the region. In addition, the country's macroeconomic fundamentals remained solid, as demonstrated by a macroeconomic environment characterized by price stability, a moderate current account deficit and responsible fiscal management.

2.2. Between 2013 and 2018, real GDP grew on average by 3.7%, which is similar to its long-term growth rate. This means that the Peruvian economy has maintained uninterrupted growth for 20 years running. Sustained economic growth has gone hand in hand with higher increases in per capita GDP, which, according to the International Monetary Fund, rose from USD 6,632 in 2013 to USD 7,002 in 2018.

2.3. The economy's positive performance between 2013 and 2018 was due mainly to higher domestic demand, underscoring investment and private consumption recovery in the past years. External demand was also a significant factor in 2016 and 2017.

¹ *Guía de Negocios e Inversión en el Perú 2018/2019*, ProInversión, Ministry of Foreign Affairs, EY Building a better working world, page 42.

² World Bank, *Doing Business 2019*. Viewed at: https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf.

2.4. Private investment performance varied greatly between 2013 and 2018. In 2013, it grew by 7.1% before falling by an average of 4.6% between 2014 and 2016. Subsequently, in 2017, a path of recovery started and was consolidated with the start of new mining projects. Private investment rose by 4.4% in 2018, the highest rate since 2013, thanks to the start of new mining projects such as Quellaveco, Mina Justa and expansion of Toromocho. It is worth mentioning that between 2013 and 2018 Peru received around USD 42 billion in foreign direct investment, which represented close to 3.4% of GDP over the period. This was mainly attributable to the development of major projects linked to the mining and non-financial services sectors.

2.5. Private consumption grew on average by a real rate of 4% between 2013 and 2018. This expansion was driven by the creation of more jobs and better conditions for accessing credit. Regarding employment, growth of private investment led to the recruitment of workers, having recorded an accumulated rise of 7.7% between 2013 and 2018; it also enabled the unemployment rate to remain at 3.9% on average during the period under review. It should be noted that since 2011, the unemployment rate has hovered around 4%, which is in line with the trend for middle-income countries (4%). As for the financial sector, the growth of consumer loans went hand in hand with employment growth, thus driving private consumption upwards. According to the Central Reserve Bank of Peru (BCRP), consumer loans grew by an average of 11.4% during the review period, driven mainly by the granting of loans in national currency, which in turn helped reduce the dollarization of this sector from 11.3% in 2013 to 6.2% in 2018.

2.6. In addition, between 2013 and 2018, Peru maintained a policy of prudent macroeconomic management, reflected in a relatively low inflation rate (averaging 2.9%), a solid fiscal position in accordance with macrofiscal rules (the average economic performance of the non-financial public sector was -1.5% of GDP, one of the lowest in the region), low general Government public debt (23.7% of GDP in 2018), stronger external accounts and an increase in international reserves (in 2018, international reserves were equivalent to 26.9% of GDP).

2.7. Thanks to its solid macroeconomic fundamentals and sound macroeconomic policies, Peru has the second highest credit rating in the region. Moreover, it should be noted that, in a context where credit ratings and/or outlooks were revised downwards on several occasions between 2013 and 2019, Peru stood out as one of the few emerging economies not to have received a negative credit rating or outlook. In fact, both indicators improved. Standard & Poor's and Fitch Ratings raised Peru's credit rating from BBB to BBB+ in August and October 2013 respectively. Moody's raised Peru's credit rating from Baa2 to A3 in July 2014.

2.8. The favourable domestic economic context also enabled a steady reduction in the levels of poverty and inequality. Between 2013 and 2018, total poverty contracted from 23.9% to 20.5% of the population and extreme poverty fell from 4.7% to 2.8%. Similarly, according to the World Bank, the degree of income distribution inequality, as measured by the Gini coefficient, fell from 43.9 in 2013 to 43.3 in 2017.

2.9. For 2019, according to the Updated Report on Macroeconomic Projections, economic activity will grow by about 4.2%, attributable mainly to higher levels of private investment in major mining projects (Quellaveco, Mina Justa and expansion of Toromocho) and the continuity of public investment projects (Reconstruction with Changes, Pan-American Games and Modernization of Talara). It is hoped that the boost in investment will generate more formal jobs and enhance wage income, thus favouring higher private consumption.

2.10. It is also expected that between 2020 and 2022, GDP will increase to above 4%, which means that Peru would continue to lead growth in the region. In the coming years, the engines of growth will be: (i) private expenditure through dynamic private investment, both in the mining sector - through major mining projects - and the non-mining sector - through the execution of infrastructure projects; (ii) public expenditure, which will exceed GDP and help narrow the infrastructure gaps; and (iii) exports, which will record significant growth, mainly under the headings of agriculture, aquaculture products and mining, the latter through the start of operations under mining projects that will increase copper production in the coming years.

2.11. Economic growth forecasts are consistent with the country's economic policy outline, under which the main objective is to boost potential GDP. This outline is based on three pillars: macroeconomic, microeconomic and public sector modernization.³

2.1 Macroeconomic aspects

2.12. Consolidation of economic growth in the short, medium and long terms. To achieve this, Peru will guarantee prudent and responsible fiscal account management so as to reduce poverty and improve well-being. Growth consolidation, together with macroeconomic stability, will enable: (i) the creation of a business climate that is conducive to private investment and that attracts foreign investment flows; and (ii) the creation of fiscal spaces to increase access and improve quality in respect of public services, with a view to narrowing public infrastructure gaps and building capacity to respond to external shocks.

2.2 Microeconomic aspects

2.13. Boosting productivity and competitiveness. In the past five years, potential GDP growth has weakened, dropping from an average of 4.6% between 2012 and 2016 to 3.5% in 2017, owing to a fall in productivity (total factor productivity – TFP) and a smaller share of capital and labour. Peru has made it a priority to focus on potential GDP growth by further boosting productivity and competitiveness, thus guaranteeing the country's progress and development.

2.14. In this context of adapting best international practices to the national reality, the Government decided to devise a comprehensive strategy to improve the country's competitiveness and productivity and boost medium- and long-term economic growth. This strategy is divided into three phases. The first phase is the prospective and strategic one in which the Government's vision, objectives and outline are defined. These will guide public sector interventions and private sector actions in terms of competitiveness and productivity, aspects which have already featured in the National Competitiveness and Productivity Policy (PNCP). The second phase is the operational one during which the priority objectives previously outlined in the PNCP will be achieved through specific actions and measures. These actions and measures are being formulated in a participatory manner, under the coordination of the National Competitiveness and Formalization Council (CNCF), as part of efforts to devise the National Competitiveness and Productivity Plan. The third phase will focus on guaranteeing implementation of the measures contained in the National Plan, by setting up an institutional system to facilitate coordination between public entities with a view to achieving the overall goal of the PNCP.⁴

2.3 Modernization of the public sector

2.15. Provide high-quality goods and services and improve interaction with citizens. Efforts are being made to allocate and make efficient use of resources with all of the necessary logistics in order to meet the various needs of the population. This involves: improving human capital with a focus on meritocracy; timely and proper procurement of materials, furnishings and equipment; and rolling out public infrastructure with a view to narrowing gaps. To this end, work on the results-based budget approach will continue and state management practices will be updated in order to ensure the efficient functioning of administrative systems, thus optimizing management capacity at the public sector level, and with aligned public-private incentives. In this way, the State's financial systems, such as the National Budget, Borrowing and Treasury System, will be modernized and integrated, with a view to enhancing the transparency and operability of the public sector.⁵

2.16. Human resource management also needs to be modernized through the intensive use of technology to ensure proper monitoring of the economically active population employed in the public sector. Gradual implementation of the civil service is noteworthy, as this will reinforce the objective of improving human capital of service to society, with an emphasis on meritocracy. To supplement these efforts, the optimal provision of goods and services to the population is contingent on improving the Government Procurement Law, comprehensive development of the National Supply System, and institutional strengthening of the Supervisory Authority for Government Procurement

³ Multi-Annual Macroeconomic Framework 2019-2022.

⁴ Updated Report and Macroeconomic Forecasts 2019-2022.

⁵ Multi-Annual Macroeconomic Framework 2019-2022.

(OSCE) and of Perú Compras (central government procurement agency). This will be accompanied by the implementation of national and sectoral policies that will have an impact on society.

3 TRADE POLICY

3.1. For over 25 years now, Peru has been implementing a trade policy of openness and liberalization aimed at driving economic growth and helping the country integrate into global markets and value chains, with a view to enhancing the well-being of its people and the development of the country. In this context, Peru has consistently supported a strong multilateral trading system, based on fair competition, transparency and predictability, and the reduction of trade barriers.

3.2. The institutional framework for the formulation of trade policy has been maintained since the previous two trade policy reviews. The Ministry of Foreign Trade and Tourism (MINCETUR), established in 2002, is in charge of defining, managing, executing, coordinating and overseeing the foreign trade and tourism policies. It also sets out and administers the policies of Peru's trade offices abroad. It is responsible for the promotion of exports and tourism and for international trade negotiations, in conjunction with the Ministries of Foreign Affairs and the Economy and Finance and other sectors of government within their respective areas of competence, and is in charge of regulating foreign trade. For its part, the Ministry of the Economy and Finance plans, manages and oversees aspects relating to customs and tariff policy, the latter in conjunction with MINCETUR and the ministry for the sector concerned, where appropriate.

3.3. The Peruvian Commission for the Promotion of Exports and Tourism (Promperú), attached to MINCETUR, is the competent specialized technical agency responsible for formulating, approving, implementing and evaluating strategies and plans to promote exportable goods and services, and domestic and inbound tourism, and for promoting and projecting Peru's image in terms of tourism and exports.

3.4. Peru has incorporated foreign trade in its national development strategies, notably in its National Strategic Development Plan ("Plan Bicentenario: El Perú hacia el 2021") adopted in 2011, and in the National Agreement adopted in 2002, which comprises state policies formulated and adopted with a view to setting the course for Peru's sustainable development and affirming its democratic governance. Along the same lines is the National Competitiveness and Productivity Policy (PNCP) approved in December 2018, which encourages high and sustained economic growth in order to enhance well-being in the medium term. The PNCP sets out the country's vision for increasing its level of competitiveness and productivity in the coming years, with one of its objectives linked to facilitating conditions for foreign trade in goods and services.

3.5. The incorporation of foreign trade reflects Peru's vision of becoming an exporting country offering a competitive, diversified and consolidated range of value added goods and services on international markets, with foreign trade contributing to social inclusion and higher living standards. Such integration depends not only on gaining access to new markets but also on how the export sector makes use of such access. Aspects such as innovation, factor mobility, knowledge transfer and a conducive business climate are key to ensuring greater diversification of foreign trade. The country's long-term strategy for sustainable and diversified exports has been updated to take into account the constant changes that may occur both within and outside Peru.

NATIONAL STRATEGIC EXPORT PLAN 2025 (PENX 2025)

3.6. The strategies and actions that fall under the national trade policy are established under the National Strategic Export Plan 2025 (PENX 2025), which defines the strategy for boosting domestic trade. In the previous review, PENX 2003-13 was still in force, and represented an unprecedented effort in joint planning between the public and private sectors in Peru. Its main objective was to actively boost foreign trade based on the joint efforts of the State and the private sector in order to increase and diversify Peru's exportable supply and achieve competitive integration into international markets.

3.7. The formulation of PENX 2025 drew on a number of lessons learned during the implementation of PENX 2003-13, including the need for a high level of political and technical compromise, collaboration between regional authorities, ongoing multisectoral coordination, consolidation of the

foreign trade sector, and targeted efforts to help Peruvian companies go international. New strategies conducive to sustainable exports were devised.

3.8. PENX 2025, the ultimate goal of which is to consolidate the presence of Peruvian export companies abroad, contains the following strategic objectives:

- scale up efforts to help companies go international;
- increase in a sustainable and diversified manner the export of value-added goods and services; and
- enhance the competitiveness of the export sector.

3.9. PENX 2025 has a competitiveness focus in order to generate instruments that support the business sector and strengthen institutional capacity with a view to achieving the long-term sustainability of the sector by helping Peruvian companies go international. It comprises four key pillars:

- a. Business internationalization and market diversification: Support the efforts of Peruvian companies to participate in the economies of other countries and diversify markets and products with a view to making the most of the expanded markets resulting from the trade agreements signed by Peru.
- b. Diversified, competitive and sustainable exportable supply: Consolidate exports with an emphasis on non-traditional exports and services.
- c. Foreign trade facilitation and an effective international logistics chain: Reduce transaction costs associated with foreign trade operations, including regulatory, procedural, logistical and financial aspects.
- d. Capacity development with a view to going international and building an export culture: Strengthen the export capacity of businesses to gain new and diversified markets, products and/or services.

3.10. A total of 15 lines of action and 93 programmes have been established to achieve the strategic objectives and pillars of PENX 2025. The programmes entail strategic activities that will be conducted across sectors.

3.11. MINCETUR, in its role as foreign trade regulator and promoter, is the main authority with responsibility for achieving the objectives of PENX 2025, while the Joint Standing Multisectoral PENX Commission is the body in charge of administering and overseeing the Plan.

3.12. PENX is the basis for Regional Export Plans (PERX) for each of the regions in the country. These identify each region's gaps in export competitiveness and propose specific actions to narrow such gaps. Each region adopts its PERX through a Regional Ordinance, such that the PERX is implemented through regional management instruments such as the Regional Joint Development Plan, the Institutional Operational Plan and the Regional Budget Plan. Market Development Plans (PDM), on the other hand, are tools aimed at broadening, diversifying and consolidating the presence of Peruvian companies, goods and services, as well as promoting their presence on the major international markets in order to make full use of open trade.

3.13. Since the previous review, Peru has been intensifying its efforts to achieve its trade objectives, boosted and supercharged by PENX 2025. This has resulted in specific policy tools, such as unilateral tariff liberalization, international trade negotiations, policies aimed at facilitating and promoting international value chains, and domestic policies on foreign trade development.

3.1 Internationalization of firms and diversification of markets

Unilateral tariff reduction

3.14. Peru has been reducing tariffs under the trade policy it initiated in 1990. In 2006, the Ministry of the Economy and Finance (MEF) established Tariff Policy Guidelines that seek to provide end consumers and users of inputs and capital goods with greater access to a wider variety of high-quality goods, thereby encouraging a more efficient allocation of productive resources and an increased level of well-being among the population.

3.15. Tariff liberalization is measured by reductions in average tariffs and tariff dispersion. During the periods 2007-12 and 2013-18, the average MFN *ad valorem* tariff decreased from 3.2% to 2.2% and tariff dispersion from 3.8 to 3.6 percentage points.

3.16. Peru currently applies five MFN tariff levels: (a) *ad valorem* tariffs of 0%, 6% and 11%, and (b) specific tariffs (on only 48 tariff lines) not exceeding 20% (rice) or 15% (maize, dairy and sugar). There is a 0% tariff on 69.9% of tariff lines, which in 2018 accounted for 74% of imports in terms of value.

International trade forums and negotiations

3.17. Peru continues to promote trade openness so as to successfully embed the country in the global economy. There is a clear consensus that liberalization, coupled with thorough integration in global trade and investment chains, will bring greater economic growth, employment and well-being. Multilateral, regional, plurilateral and bilateral trade agreements play a key role in achieving this goal by improving the conditions of access to external markets for Peru's goods and services, providing clear and predictable rules and disciplines for foreign trade, and offering an attractive regulatory framework for private investment.

3.18. Peru has been a member of the multilateral trading system for 68 years. It became a contracting party to the GATT in 1951 and is a founding Member of the World Trade Organization.

3.19. Peru rejects all types of protectionism and supports a broad, open, predictable and transparent multilateral trading system that is based on international rules. The country has expressed this position throughout its participation in multilateral meetings and forums.

3.20. During the 2013-18 review period, Peru took part in the Ninth, Tenth and Eleventh Ministerial Conferences and in WTO councils, committees and working groups responsible for implementing and administering the Agreements, so as to ensure the proper application and monitoring of these texts. As part of the routine work of the Organization, Peru has presented various communications in the Committees on Sanitary and Phytosanitary Measures and Technical Barriers to Trade, among others, and has made regular notifications in fulfilment of its transparency obligations.

3.21. Significant outcomes were achieved at the last three WTO Ministerial Conferences. These include the Trade Facilitation Agreement (TFA), in force since 22 February 2017, the elimination of agricultural export subsidies, and the adoption of a Ministerial Decision to continue negotiations on fisheries subsidies with a view to adopting a multilateral agreement at the next Ministerial Conference. Peru continues to work on issues of national interest that are covered by joint statements and declarations made in Buenos Aires, such as domestic regulation of trade in services, electronic commerce, the integration of micro, small and medium-sized enterprises (MSMEs) into international trade, and trade and women's economic empowerment.

3.22. Peru continues to firmly support the multilateral trading system and hopes that at the Twelfth Ministerial Conference, to be held in Nur-Sultan, Kazakhstan, concrete outcomes can be achieved with respect to the ongoing negotiations. Peru is aware that certain reforms need to be carried out at the WTO, and the position of its government is essentially constructive, seeking the best possible functioning of the Organization. It is of particular interest to ensure that the work of the Appellate Body does not come to a standstill, especially after December 2019, when the terms of two of its three members come to an end.

3.23. Peru takes an ambitious approach and adopts a constructive position in both its bilateral and multilateral negotiations. Its objective is to foster greater security in the opening of markets, through the creation of new access opportunities for its exports and the establishment of transparent, predictable trading rules that supplement in regulatory terms the trade disciplines of its bilateral and regional agreements.

3.24. Peru recognizes the important role played by the WTO in ensuring the stability, predictability and transparency of the multilateral trading system. The complexity of today's economic environment has led to a stronger commitment to fighting all forms of protectionism. Accordingly, on numerous occasions, in this and other forums (APEC, OECD, Pacific Alliance Leaders' Summits and others), Peru has called on the other countries to show the utmost restraint in applying trade measures that distort international trade. It has also expressed the need to assess the best option for levelling the playing field in international trade.

3.25. Peru attaches great importance to the Aid for Trade initiative, a tool that promotes inclusive and sustainable development by building the trade capacity and infrastructure that developing countries need in order to better harness the benefits of international trade and trade agreements. Peru therefore appreciates the work done by the WTO since the initiative began and welcomes the fact that the initiative's 2018-19 work programme prioritizes the issues of economic diversification and empowerment, which are in line with the trade priorities under Peru's national development strategy.

3.26. These priorities are set out in important policy documents, such as the National Strategic Development Plan, the National Strategic Export Plan, the National Competitiveness and Productivity Policy, and the National Technical Cooperation Policy.

3.27. Peru has been participating in Aid for Trade-related activities and, since its last trade policy review, has taken part in the Global Reviews of Aid for Trade and submitted the partner country questionnaire. In 2018, it also participated in the regional workshop "Trade- and Development-Led Economic Growth in Latin America: the Role of the Multilateral Trading System", which provided an opportunity to learn about the latest Aid for Trade trends and developments, including the current work programme.

3.28. Peru believes it is important to take greater advantage of Aid for Trade and increase its diffusion, as the initiative also contributes to achieving the goals of the 2030 Sustainable Development Agenda.

3.29. The WTO is the cornerstone of Peru's trade policy and international trade negotiations. Peru's bilateral and regional trade negotiations are all based on WTO provisions and principles and are consistent with them. Regional and bilateral agreements supplement the multilateral trade agreements and do not substitute them.

3.30. The bilateral and regional trade agreements signed by Peru have significantly contributed to the growth and development of Peruvian exports, particularly non-traditional ones, on the global market, and to the country's economic growth, by making it possible to offer certainty and develop a diversified export sector for goods and services. These agreements have helped to consolidate access to Peru's principal trading partners and to establish stable and predictable rules for attracting investment and improving bilateral trade relations.

3.31. At the multilateral level, Peru ratified the Trade Facilitation Agreement (TFA) in July 2016 under Supreme Decree No. 044-2016-RE. The Agreement entered into force on 22 February 2017, after being ratified by more than two thirds of WTO Members.

3.32. Peru has been part of the multilateral negotiations on fisheries subsidies since they began in 2001, promoting the elimination of subsidies that result in unfair competition and contribute to the plunder of resources. As a fishing nation, Peru has been an active and regular participant in the multilateral negotiations, submitting proposals and participating in technical discussions. The adoption of the Ministerial Declaration on fisheries subsidies at the WTO's Eleventh Ministerial Conference (MC11) signalled an important step forward in the negotiations to establish disciplines on fisheries subsidies.

3.33. In December 2017, at MC11, Peru and 74 other WTO Members agreed to initiate exploratory work for future negotiations on electronic commerce. In 2019, Peru was among the 48 Members that endorsed a Joint Statement on Electronic Commerce to initiate negotiations in that area, and it continues to be actively involved in the negotiations.

3.34. Peru also participates in the negotiations on domestic regulation of trade in services. In May 2019, Peru was one of the 59 WTO Members that adopted a Joint Statement on Services Domestic Regulation with a view to achieving concrete outcomes by the next Ministerial Conference in 2020.

3.35. All the trade agreements in force since the last review have been duly notified to the WTO Committee on Regional Trade Agreements for review under the Transparency Mechanism for Regional Trade Agreements and, by July 2019, the reviews of the trade agreements with Mexico, Panama, Japan, the European Union, EFTA and Costa Rica had been successfully completed. As at July 2019, the Pacific Alliance Protocol was undergoing the same process.

3.36. As a signatory to the 1969 Cartagena Agreement, Peru forms part of the Andean Community (CAN), which also consists of Bolivia, Colombia and Ecuador and the bodies and institutions of the Andean Integration System. CAN has a free trade area for all the goods produced in the subregion and has developed Community rules that govern trade relations between the member countries.

3.37. It should be noted that, since the issuance of Decision No. 792 of September 2013, the CAN member countries have been working to re-engineer the Andean Integration System so as to strengthen the CAN by steering it towards a new, more modern vision with a view to reinvigorating it and adapting it to the requirements, issues and challenges of the present regional and international context. The measures being taken on the basis of this new vision are guided by the country holding the Pro Tempore Presidency of the Andean Community, which will be Bolivia until May 2020. In the period 2013-18, Peru held the CAN Pro Tempore Presidency from July 2009 to July 2010, September 2013 to September 2014, and May 2018 to May 2019.

3.38. As a member economy since 1998, Peru has been actively participating in the initiatives of the Asia-Pacific Economic Cooperation (APEC) forum. Its participation in APEC has enabled it to help identify issues and set priorities, participate in initiatives, actions and activities to promote the liberalization and facilitation of trade and investment in the country, and support the multilateral trading system and regional economic integration. APEC is also a tool for strengthening Peru's relations with the Asia-Pacific economies and, in particular, for expanding its network of bilateral and regional agreements. Peru hosted APEC's main meetings for a second time in 2016, after having done so for the first time eight years earlier in 2008, and is the only member to have hosted twice in such a short period of time. At the 2016 APEC summit, the Lima Declaration on the Free Trade Area of the Asia-Pacific (FTAAP) was approved, with recommendations on how to work towards establishing that free trade area.

3.39. It should be noted that Peru has been included in the assessments of APEC economies' progress towards the Bogor Goals of free and open trade and investment. Since the last Review, Peru has been part of three assessments: in 2014, 2016 and 2018.⁶ APEC will conduct the final assessment in 2020.

3.40. In recent years, Peru has been working actively towards being invited to become a member of the OECD. Peru submitted its membership request in November 2012 and reiterated its desire to join the organization at the OECD's Economic Forum on Latin America and the Caribbean in 2014. In June 2014, the OECD Ministerial Council invited Peru to participate in a Country Programme, which was implemented in 2015 and 2016. The Peru Country Programme identified 14 main areas of work⁷ and 60 actions that included accession to declarations, principles, codes or conventions; reviews of public policy, reports and/or sectoral diagnostics; participation in OECD committees and forums; and development of databases, indicators, and exchange of quantitative information.

⁶ Assessment of Achievements of the Bogor Goals. Viewed at: <https://www.apec.org/About-Us/About-APEC/Achievements-and-Benefits/Bogor-Goals.aspx>.

⁷ Cross-sectoral tools; environment; investment; action to combat bribery; financial markets; insurance and private pensions; public governance (governance, integrity, territorial development and regulatory policy); tax matters; health; employment; education and training; trade; agriculture; and statistics.

3.41. The Country Programme was successfully completed in 2017, with Peru exceeding the scope of the Programme. In terms of legal frameworks, Peru has now acceded to 39 of the OECD's legal instruments, of which there are approximately 245, and around 79 are in the evaluation phase. Peru is also stepping up its participation in the committees, working groups and other forums of the organization.

3.42. With respect to the OECD's trade-related tools, Peru has been included in the Trade in Value Added (TiVA) database, a joint OECD-WTO initiative, and the Trade Facilitation Indicators (TFI) database. Peru is currently working with the OECD to be included in the Services Trade Restrictiveness Index (STRI).

3.43. Since its last review, Peru has signed and brought into effect bilateral and plurilateral trade agreements, with the Additional Protocol to the Pacific Alliance Framework Agreement and the CPTPP being the most significant in terms of number of parties and scope of coverage.

3.44. The Additional Protocol to the Framework Agreement establishing the Pacific Alliance (trade protocol) was signed in February 2014 and entered into force among the parties in May 2016. First and second amending protocols were signed in July 2015 and July 2016, incorporating new provisions into the Additional Protocol and/or amending existing ones. In the period 2013-18, Peru held the Pro Tempore Presidency of the Pacific Alliance from July 2015 to July 2016 and from July 2018 to July 2019.

3.45. The Protocol updates and enhances the trade agreements in force among the four Pacific Alliance member countries. It also creates spaces to take the integration process further, as well as opportunities for economic operators, spurring the creation of value chains in the region and propelling the four countries towards other international markets, such as the Asia-Pacific market.

3.46. In June 2017, the Pacific Alliance announced the launch of negotiations between its States parties and Australia, Canada, New Zealand and Singapore on trade agreements that would give those countries the status of Pacific Alliance associate member. Furthermore, in 2019 it was announced that the States parties would define the terms of reference that would guide negotiations on a trade agreement with Korea and Ecuador so that these two countries could acquire associate member status as well.

3.47. In 2018, Peru, together with Australia, Brunei Darussalam, Canada, Chile, Japan, Mexico, Malaysia, New Zealand, Singapore and Viet Nam, concluded negotiations on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). That agreement expanded Peru's network of bilateral trading partners to include countries such as New Zealand, Brunei Darussalam, Viet Nam and Malaysia. Preferences agreed with countries with whom bilateral agreements already existed were also taken further. It is the most ambitious plurilateral negotiating process and the broadest, both in terms of product coverage and the disciplines included and in terms of the three continents spanned by the participating economies.

3.48. The CPTPP was signed on 8 March 2018 and entered into force on 30 December 2018 for Australia, Canada, Japan, Mexico, New Zealand, and Singapore. For Viet Nam, the Agreement entered into force on 14 January 2019. In Peru, as in Chile, Brunei Darussalam and Malaysia, the Agreement will enter into force once ratified by the Government.

3.49. The Free Trade Agreement (FTA) with Honduras, signed in May 2015, entered into force in January 2017 and will be a tool for boosting trade in goods and services between the two countries.

3.50. In addition to the agreements already in force, Peru has signed an FTA with Brazil, the CPTPP, and a trade agreement between the United Kingdom and Colombia, Ecuador and Peru. Peru has also ratified an FTA with Australia and is in the process of negotiating a trade agreement with India and trade agreements between the Pacific Alliance and countries that are candidates for associate member status. Lastly, it is working on optimizing its FTA with China and deepening its Economic Complementarity Agreement with Argentina (ECA No. 58).

3.51. The Peru-Australia FTA was signed in February 2018 and ratified by Peru in February 2019. It will be the first bilateral agreement to include chapters on development, small and medium-sized

enterprises, and competitiveness and business facilitation, resulting in an agreement of comprehensive scope.

3.52. The trade agreement between the United Kingdom and Ecuador, Colombia and Peru, signed on 15 May 2019, incorporates the agreement with the European Union by reference so as to maintain the provisions and preferences that currently apply to the trading relationship between Ecuador, Colombia and Peru and the United Kingdom. Amendments have been made only to allow for the proper implementation of the agreement and to ensure the continuity of the preferences established under the agreement with the European Union. Those amendments are in areas such as origin, intellectual property, government procurement and trade defence.

3.53. An agreement to deepen economic and trade ties between Peru and Brazil was signed in April 2016. The agreement's substantive provisions deal with investment, trade in services and government procurement, and are in addition to the commitments undertaken by the two countries under Economic Complementarity Agreement No. 58 between Peru and MERCOSUR, which regulates trade in goods.

3.2 Initiatives promoting and consolidating Peru's commercial presence abroad

3.54. With regard to trade and export promotion initiatives and programmes, Promperú provides information, advice and training on export procedures, requirements and formalities. It has also made digital tools available to help MSME exporters and potential exporters increase productivity, improve capacity and have the information needed in order to make better strategic choices. These tools include LATE, the digital export support platform that consolidates data from multiple reliable sources and presents it in one place in a user-friendly, easily understood format; the E-Commerce Programme to support businesses interested in engaging in cross-border e-commerce; financial simulators; and digital tools with up-to-date information on the requirements for accessing different markets.

3.55. With respect to market diversification, Peru's trade offices abroad (OCEX), which form part of Promperú, constitute a key trade policy element for Peru, as they are responsible for promoting the opening and consolidation of export, tourism and investment markets. There are currently 35 such trade offices in 30 economies, the markets of which account for over 90% of non-traditional exports.

3.56. Peru's trade offices abroad have a coordinated operational plan that was agreed with widespread and active participation from the public and private sectors. It is in keeping with strategic institutional plans and prioritizes funding for innovative, regional activities with an impact in Peru's business sector.

3.57. The trade offices carry out a variety of activities, including exhibitions at fairs, workshops, promotional campaigns and missions, and roadshows. These activities have contributed to better relations between Peruvian and foreign firms, the positioning of Peruvian fashion in international markets, the promotion of Peruvian cuisine, and increased exports by participating firms.

3.2.1 Developing a diversified, competitive and sustainable export supply

3.58. Improving export supply is vital for the diversification and competitiveness of Peruvian products. Work is therefore being done, jointly with the private sector, on compliance with and certification under international standards that can differentiate Peruvian products on the international market. These include certification for organic production, Global GAP, Rainforest Alliance and others. More than 500 companies have taken part in programmes on how to implement various certifications. In addition, since 2016, more than 3,000 producers have been trained and over 2,000 certified in good agricultural practices, organic production and fair trade in 13 regions of the country.

3.59. Sectoral and collective marks have also been developed with a view to consolidating and positioning various Peruvian products in international markets. These include sectoral marks such as SuperFoods Perú, Perú Textiles and Alpaca del Perú, which reflect the differentiation of the country's export supply. Regional marks have also been developed and include Aynok'a (white quinoa from Puno), Zikuyo (white cocoa from Piura), Ecochira (organic bananas from Piura), Tibana (pineapples from Pangoa, Satipo) and Morikke (chestnuts from Madre de Dios). These

initiatives contribute in turn to regional development and decentralization. Five new sectoral marks are expected to be developed between 2019 and 2021.

3.60. Regional Export Plans (PERX) are tools to guide the development of export supply in the different regions of the country and are part of ongoing decentralization and capacity-building efforts. Since 2016, 24 Regional Export Plans have been updated and formally submitted to the relevant authorities. They prioritize the main products to be promoted in each region up until 2025 and set out actions for improving the competitiveness of the regional export basket. The plans allow for an action framework to be developed, involving the significant challenge of cross-sectoral, multilevel (national, regional and local) and public-private coordination. There has been an emphasis on establishing regional spaces to manage their implementation (Regional Export Committees (CERX)) and on organizing training, technical assistance and trade promotion activities on the basis of the prioritization of products and actions under the plans.

3.61. In terms of developing the supply of services, the Programme to Identify and Promote Service Enterprises in the Regions (PRIPE) has made it possible to identify and strengthen the capacity of firms to manage exports in various regions, such as Cusco and Junín. One of the Government's most important measures to facilitate the development of trade in services was the enactment, in July 2017, of Law No. 30641, the Services Trade and Tourism Promotion Law, which extends the general sales tax exemption to a larger number of service exports.

3.2.2 Facilitation of foreign trade and efficiency of the international logistics chain

3.62. As a result of its significant impact on competitiveness, trade facilitation has become an important factor for trade and economic development in Peru. Foreign trade facilitation is a crucial element in Peru's trade policy. It constitutes one of the four pillars (pillar 3) of the National Strategic Export Plan (PENX 2025), which seeks to implement effective foreign trade facilitation mechanisms that promote infrastructure development and provide for access to, and the provision of, physical distribution and financial services of better quality at lower prices.

3.63. Efforts to improve trade facilitation in Peru are aligned with the WTO Agreement on Trade Facilitation (TFA).

3.64. Between 2016 and 2018, a series of trade facilitation measures and tools were implemented to increase the competitiveness of the foreign trade sector. The first package of measures was related to the improvement of customs operations, foreign trade logistics, enhanced institutional coordination, and administrative streamlining. The second package of measures concerned financing, transport regulations and customs.

3.65. Regarding financing, initiatives were implemented to promote access to funding for exporting SMEs, including an export credit insurance scheme (SEPYMEX) and the Programme to Promote Internationalization (PAI); the latter co-finances activities to build the capacity and enhance the management skills of such enterprises. Technical assistance was also provided to municipal savings and credit unions for the development of credit products to finance exports, which led to the creation of PYMEX loans for micro, small and medium-sized enterprises engaged in export activity.

3.66. In December 2017, the Multisectoral Commission for Foreign Trade Facilitation was created pursuant to Supreme Decree No. 122-2017-PCM. Its purpose is to strengthen coordination among government bodies related to foreign trade, with a view to the proposal of trade facilitation mechanisms, actions and tools that will reduce logistical costs by increasing transparency, ensuring predictability in foreign trade operations and implementing a freight logistics policy. The Commission also contributes to the application and improvement of TFA measures.

3.67. The Commission comprises ten entities that will develop a national plan outlining the steps to be taken to comply with and fully apply the TFA, with a view to ensuring better implementation. It should be noted that Peru has already implemented 31 of the 36 measures included in the TFA. Currently, the Commission's working groups are prioritizing projects and setting out a roadmap for the next few years.

3.68. In February 2018, Peru submitted to the WTO Committee on Trade Facilitation a supplementary notification indicating that all the provisions contained in Section I of the TFA had

been included in category A, with the exception of the following measures: category B measures related to advance rulings, the single window, and border agency cooperation, for which the deadlines for compliance are 22 February 2020, 2021 and 2022, respectively; and category C measures related to notifications for enhanced controls or inspections and test procedures, for which the deadline for compliance is 22 February 2023.

3.69. It should also be noted that in November 2018 and March 2019, Peru notified its transparency measures, including information on the publication of a regulatory framework governing foreign trade operations and details concerning the single window for foreign trade (VUCE), customs brokers, and contact points for customs cooperation and technical assistance.

3.70. Furthermore, with the support of Swiss Cooperation (SECO), an initiative is being carried out to increase the efficiency of sanitary management within the framework of TFA implementation in Peru. The initiative was adopted with the aim of implementing several of the category B and C measures notified to the WTO, particularly those related to test procedures, border agency cooperation and notifications for enhanced controls or inspections. Furthermore, priority was given to improving two measures notified in category A, which are related to risk management and authorized operators. The initiative will be supported by the World Bank and the Inter-American Institute for Cooperation on Agriculture (IICA), as project partners.

3.71. The specific measures on risk management, authorized economic operators, test procedures, border agency cooperation and notifications for enhanced controls or inspections, include a comprehensive health component primarily in relation to food, which is directly linked to the three Peruvian health authorities: the National Agrarian Health Service (SENASA), the Directorate-General of Environmental Health and Food Safety (DIGESA) and the National Fisheries Health Service (SANIPES). The implementation of these measures is related to increasing the efficiency of sanitary management, and would facilitate food trade activities. It is hoped that, by implementing the five trade facilitation measures, Peru will improve the efficiency of sanitary management, reduce the administrative costs involved in carrying out foreign trade operations, and benefit from the opportunities created by trade liberalization, in order to increase the country's competitiveness and strengthen the sanitary management of the competent national bodies.

3.72. The VUCE is an important tool for the facilitation of export management. To date, it has incorporated 270 administrative procedures of 19 public entities and 21 certification bodies, and has saved over PEN 580 million for more than 51,000 users since operations began in 2010.

3.73. The redesign of the VUCE (through the VUCE 2.0 project) began in 2018 and involves the restructuring of the processes carried out by public entities in the foreign trade system, a new electronic platform for the VUCE, the management of electronic processes through the Port Community System, tools for the electronic management of foreign trade operations for micro and small enterprises (MSEs), a logistics observatory, business intelligence, national and international interoperability, a component for special economic zones, and the application of risk management in control entities.

3.2.3 Capacity building for the internationalization and consolidation of the export chain

3.74. One of the main instruments for the promotion of exports is the *Ruta Exportadora*, a programme developed by Promperú to increase the competitiveness of enterprises as part of their internationalization process. *Ruta Exportadora* has four phases: guidance and information; training; business assistance; and promotion. Whereas, initially, the programme was more general in nature, its focus is now shifting towards specialization by product and specialization by market-product, in order to take into account the evolution of international market requirements.

3.75. The initiative, *Ruta Productiva Exportadora*, which is headed by the MINCETUR and the Ministry of Production and financed through the SECO programme, *SeCompetitivo*, seeks to increase the competitiveness and expedite the internationalization of MSMEs engaged in export activity and/or with export potential, through the provision of more efficient business services. The initiative, which is to be implemented between 2019 and 2022, will enable various public agencies to provide a comprehensive portfolio of services for MSMEs, which will be made available to enterprises through an electronic platform. Furthermore, a procedure will be developed to validate these services in

MSMEs from the agro-industrial sector in the regions of Piura and Junín, which will directly benefit enterprises in these regions.

3.76. A network of decentralized offices has been developed, which provide guidance, training and technical training to MSMEs in order to help them achieve internationalization. To date, three regional export trading offices (OCER) have been established, in addition to six decentralized Promperú offices and an exporter service centre in the capital, which deal with hundreds of enterprises from different regions of the country.

3.77. On-site and online capacity-building mechanisms have been developed for the public and private sectors. On-site training has been provided for officials from all regional governments in the country, and a virtual classroom has been set up for the provision of training on foreign trade, which will serve to build the capacities of many stakeholders.

3.78. As part of the WTO's Aid for Trade initiative, Peru has implemented several cooperation projects and programmes related to productivity enhancement, the diversification of production and exports, the economic empowerment of young people, women and MSMEs, and trade facilitation. The main donors for these projects and programmes include Switzerland, the United States, Canada, Korea, Australia, and the European Union, as well as international organizations such as the Inter-American Development Bank (IDB), the World Bank, the United Nations Development Programme (UNDP) and the Food and Agriculture Organization of the United Nations (FAO). South-South cooperation projects have also been developed, including a project with Brazil to strengthen the Peruvian cotton sector by increasing the competitiveness of family farming production systems, as well as forestry projects with Chile and Mexico, and projects within the framework of the Pacific Alliance. Between 2016 and 2018, Promperú carried out 35 international cooperation projects to promote economic empowerment. The activities conducted include the provision of support for enterprises participating in international fairs, the implementation of capacity-building programmes with a view to internationalization, and the fostering of the use of electronic trade platforms.

4 INVESTMENT POLICY

4.1. The specific legal framework for the promotion and protection of investment, and the institutional framework for the formulation of investment policy have been not been modified since Peru's last trade policy review, with the exception of arrangements for the incorporation of private investment into the development of infrastructure and public services projects.

4.2. The 1993 Political Constitution of Peru contains rules enshrining essential principles to guarantee a legal framework conducive to the development of private investment and, particularly, foreign investment. Domestic and foreign investment are both subject to the same conditions, as the legal framework governing investment is based on the national treatment principle. Foreign investment is permitted without restriction in almost all branches of economic activity and does not require prior authorization for being foreign.

4.3. Pursuant to the Law on the Promotion of Foreign Investment of 1991 (Legislative Decree No. 662), the State promotes and guarantees foreign investment made and to be made in the country, in all sectors of economic activity and in any entrepreneurial or contractual form permitted by national legislation. The Law provides that foreign investors and enterprises in which they participate have the same rights and obligations as domestic investors and enterprises, the only exceptions being those laid down in the Political Constitution of Peru⁸ and in the aforementioned Legislative Decree. It furthermore establishes that in no case will national legislation discriminate between investors or between enterprises on the basis of national or foreign participation in investment.

4.4. Pursuant to Legislative Decree No. 757, the Framework Law for the Growth of Private Investment was adopted in 1991, with the aim of guaranteeing freedom of private initiative and existing or future private investment in all sectors of economic activity and in any entrepreneurial

⁸ It should be noted that at the constitutional level there are two restrictions on foreign investment: (i) foreigners may not acquire or possess certain property within 50 kilometres of the border; and (ii) by law, for reasons of national security only, temporary restrictions may be established for the acquisition of the property specified in Articles 71 and 72 of the Constitution.

or contractual form permitted by the Constitution and legislation, and establishing rights, guarantees and obligations that apply to national or foreign natural or legal persons owning investments in Peru, on the basis that private, national and foreign investment in production activities carried out or to be carried out in the border areas of the country is of national necessity.

4.5. At the institutional level, the Ministry of the Economy and Finance is in charge of establishing the policy for the promotion of private investment. One of the functions of the Private Investment Promotion Agency (PROINVERSION) is to implement the national policy for the promotion of private investment, in accordance with Legislative Decree No. 1362 and its implementing regulations, which were published in 2018. PROINVERSION is a specialized technical body attached to the Ministry of the Economy and Finance, which has legal status, and which enjoys technical, functional, administrative, economic, and financial autonomy.

4.6. One of the most important advances made in investment law during the review period was the enactment, in July 2018, of Legislative Decree No. 1362, which regulates the promotion of private investment through public-private partnerships and asset projects. The Decree establishes that the promotion of private investment through public-private partnerships and asset projects is of national interest, insofar as it contributes to the growth of the national economy, closes the gaps in infrastructure and public services, generates productive employment, and enhances the competitiveness of the country. In October 2018, the Regulations implementing Legislative Decree No. 1362 were published pursuant to Supreme Decree No. 240-2018-EF.

4.7. The National Policy for the Promotion of Private Investment in Public-Private Partnerships and Asset Projects was adopted pursuant to Supreme Decree No. 077-2016-EF. It aims to promote private sector participation in the arrangements regarding public-private partnerships and asset projects with a view to the development of projects that effectively contribute to closing gaps in public infrastructure in the country, improve the scope and quality of public services, stimulate the national economy, generate productive employment, and enhance the country's competitiveness.

4.8. The same policy seeks to promote synergy between the various public-private partnership and asset projects, through the use of a project portfolio, and to ensure that promotion processes are implemented under competitive conditions, with no discrimination of any kind against bidders, and in strict compliance with the various agreements signed by the Peruvian State.

4.9. The institutional framework for public-private partnerships and asset projects includes the National System for the Promotion of Private Investment (SNPIP), which comprises principles, rules, procedures, guidelines and regulatory technical directives aimed at promoting and facilitating private investment. The Ministry of the Economy and Finance is the body responsible for the SNPIP.

4.10. At the end of March 2016, the OECD recognized Peru as a country adhering to the Council Recommendation on Principles for Public Governance of Public-Private Partnerships. According to the OECD, the strengthening and improvement of public policies on public-private partnerships ensure that such partnerships generate value for money for the public sector.

4.11. Peru has been very active in negotiating bilateral, regional and multilateral instruments to establish guarantees concerning treatment, protection and access to dispute settlement mechanisms applicable to investment. Peru has signed agreements on the reciprocal promotion and protection of investment with 27 countries.⁹ Within the Andean Community framework, there is a Common Regime under which subregional investment is guaranteed the same treatment as that applicable to national investment. Moreover, Peru has included chapters on investment in the trade agreements that have entered into force with the following partners: the European Free Trade Association (EFTA) (Switzerland, Norway, Liechtenstein and Iceland) (2011), Canada (2009), Chile (2009), China (2010), Costa Rica (2013), Honduras (2017), Japan (2012), Korea (2011), Mexico (2012),

⁹ Germany (1997), Argentina (1996), Australia (1997), Belgium (2008), Luxembourg (2008), Canada (2006), People's Republic of China (1995), Colombia (2010), Cuba (2001), Czech Republic (1995), Denmark (1995), El Salvador (1996), Spain (1996), Finland (1996), France (1996), Italy (1995), Malaysia (1995), Netherlands (1996), Norway (1995), Paraguay (1994), Portugal (1995), Romania (1995), Sweden (1994), Switzerland (1993), Thailand (1993), United Kingdom (1994), Bolivarian Republic of Venezuela (1997).

the Pacific Alliance (Chile-Colombia-Mexico-Peru) (2016), Panama (2012), Singapore (2009) and the United States (2009).¹⁰

4.12. It should be noted that Peru is a member of the International Centre for Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA).

4.13. As a signatory to the OECD Declaration concerning guidelines for multinational enterprises, and with the aim of contributing to the preservation of a favourable investment climate, Peru has disseminated and promoted guidelines for multinational enterprises through PROINVERSION, in coordination with various agencies from the public and private sectors and civil society. Peru also participates in the OECD Investment Committee as an observer, in order to pursue efforts aimed at improving the climate for investment.

4.14. Peru has signed agreements with Brazil, Canada, Chile, Mexico, Portugal, Switzerland and the Republic of Korea to prevent double taxation and tax evasion, and has also signed Decision No. 578 of the Andean Community (Bolivia, Colombia and Ecuador).

4.15. Peru has implemented the international standards on taxation promoted by the OECD. Regarding the exchange of information for tax purposes (on-request and automatic), Peru has been a member of the Global Forum since October 2014. By March 2019, the second phase of the peer review (on-site visit) had already been initiated, in accordance with the new terms of reference adopted by the Global Forum in 2016. It includes access to and availability of information on the final beneficiary. Peru has committed to automatically exchanging financial account information as from 2020.

4.16. The Multilateral Convention on Mutual Administrative Assistance in Tax Matters entered into force on 1 September 2018, with the aim of expanding the network of information exchange agreements.

4.17. Regarding the recommendations and minimum standards of the Action Plan on Base Erosion and Profit Shifting (BEPS Action Plan), Peru has been an associate member of the Inclusive Framework on BEPS since January 2017, and has therefore committed to implementing the minimum standards of Actions 5, 6, 13 and 14 of the BEPS Action Plan. These standards are currently being implemented.

5 TRADE AND INVESTMENT PERFORMANCE

5.1. In Peru, the ratio between foreign trade (exports and imports of goods¹¹ and services) and GDP was on average 47% for the review period 2013-18, which demonstrates the country's good level of trade openness at the regional level. This outcome is mainly due to the fact the Peru has continued to apply its trade liberalization policies.

5.2. The development of foreign trade and the promotion of investment are reflected in the favourable trade balance results for the period 2013-18. Exports of goods recorded cumulative growth of 14.5%, rising from USD 42,861 million in 2013 to USD 49,066 million in 2018, which was the consequence of an increase in mining shipments (+21.5%), fisheries shipments (+13.6% in the traditional fisheries sector and +29% in the non-traditional fisheries sector) and agricultural shipments (+71.7%), influenced by higher mineral prices and more favourable market access conditions resulting from the conclusion of trade agreements.

5.3. It is important to highlight the trend in non-traditional exports, which grew at a cumulative rate of 19.6% in the period under review, mainly as a result of the growth of the agricultural export sector (+71.7%), whose share of non-traditional exports increased by 13.5 percentage points during the review period. The main exports from the sector include blueberries (with average annual growth of 99.4% during the review period), fresh avocados (+31.5% annual growth), fresh grapes (+12.9%

¹⁰ Peru has completed negotiations and concluded a trade agreement with Australia, and has signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Both of these agreements also include chapters on investment, but have not yet entered into force as they are undergoing an internal improvement process.

¹¹ In this section, the statistics on trade in goods are presented in accordance with the coverage of economic territory, on the basis of information compiled by the Central Reserve Bank of Peru.

annual growth) and mangos (+14.3% annual growth). Imports declined by 1.1%, falling from USD 42,356 million in 2013 to USD 41,870 million in 2018, due to lower demand for inputs and capital goods in the country. Since 2016, Peru has enjoyed a trade surplus. In 2018, it reached USD 7,197 million, which was the highest level since 2011.

5.4. In the past ten years, foreign trade in agricultural products has doubled, and the trade balance has become positive as a result of a 161% growth in agricultural exports. During this period, the increase in foreign trade in agricultural products has been accompanied by growing trends in production and employment in the sector. Agricultural GDP grew by 38%, over 300,000 new jobs were created in the agricultural sector, and production in the agro-export subsector rose by 100%.

5.5. Exports of services grew by 26.6%, increasing from USD 5,815 million in 2013 to USD 7,365 million in 2018, the trend in travel receipts being particularly noteworthy (with a 53% average share in services exports over the period 2013-18 and 31.2% growth), owing to the increased number of visitors and higher average expenditure. Imports of services grew by 24.1%, rising from USD 7,973 million in 2013 to USD 9,897 million in 2018, owing to higher out-payments for freight, business services and travel. Throughout the review period, Peru recorded a deficit in foreign trade in services, which closed at USD 2,532 million in 2018.

5.6. The annual flow of foreign direct investment (FDI) into Peru averaged around USD 7,121 million during the period 2013-18 (relatively lower than the average of USD 7,738 million for 2007-12). On the basis of information on foreign investment as a contribution to capital, the FDI balance amounted to USD 25,931 million at the end of 2018, which mainly comprised investment in the following sectors: mining (22.0%), communications (20.5%), finance (18.1%), energy (13.3%) and industry (12.4%).

5.7. Peru offers a broad and diversified range of goods and services, although supply is still mainly composed of traditional exports of goods, which during the period 2013-18 represented a 71% average share of total exports (lower than the average of 77% recorded in the period 2007-12). Although exports of non-traditional goods have grown at a significant rate, their share of total exports remains low. Increasing this share is one of the challenges that will continue to be addressed in the years to come.

5.8. The development and utilization of capacities for diversifying the exportable supply during the review period 2013-18 is reflected, for example, in the non-traditional exports of the agro-industrial, fisheries, metalworking and chemical sectors. The optimization of logistical management, the introduction of more technology into the agriculture sector, cold chain control and the expansion of air transport networks have made it possible to increase agro-exports, which, on average, represented a 41.8% share of non-traditional exports and recorded cumulative growth of 71.7% in the last five years. Furthermore, the flexibility of enterprises in the non-traditional fisheries sector enabled them to adjust to the different requirements of the international market. As a result, exports from the sector recorded cumulative growth of 29% and represented a 9.2% average share of non-traditional exports. The strength of the mining sector was also reflected by the rise in exports from the metalworking sector, which recorded cumulative growth of 8.5% and represented a 4.6% average share of non-traditional exports. Lastly, during the same period, exports from the chemical sector recorded cumulative growth of 3.5% and represented an average share of 12.4% of non-traditional exports.

5.9. In 2018, service exports recorded cumulative growth of 26.6% compared with 2013. In the last five years, one of the sectors with the highest growth was the insurance and reinsurance sector (+70.4% cumulative growth), with an average share of 10.9% of service exports. Travel sector exports (tourist expenditure) increased by 31.6%, with an average share of 52.3%. Exports of transport services increased by 5.7% with an average share of 21.5%. The Peruvian Commission for the Promotion of Exports and Tourism (Promperú) has introduced initiatives aimed at increasing exports of services such as technological solution services, and business, graphics and editorial services. Policies have also been implemented to encourage and promote exports of services, and thus strengthen their position in the region. It is hoped that, through these measures, the objective of USD 13 billion for service exports will be achieved by 2021.

6 CONCLUSIONS AND OUTLOOK

6.1. Peru reiterates the important role of trade policy in achieving a dynamic, diversified, high-technology and regionally-balanced economy with full employment and high labour productivity. To this end, Peru is implementing an open trade policy, ensuring diversification into new markets, and applying structural reform and competitiveness policies to sustain inclusive economic growth and promote development.

6.2. During the period 2013-18, Peru made significant progress, which enabled it to improve the business and investment climate, and enhance the country's competitiveness through investment in human capital, infrastructure and innovation. Furthermore, cross-cutting reforms were carried out to create sustained economic growth and ensure greater social inclusion, productivity and competitiveness. These reforms are based on sound strategic planning, the identification of priorities, and commitment to implementing the transformations necessary for the country's development. In this regard, the National Competitiveness and Productivity Policy (PNCP) and the National Competitiveness and Productivity Plan 2019-2030 have been adopted.

6.3. Peru has also made great strides in the area of foreign trade. The 2025 National Strategic Export Plan (PENX 2025) establishes a strategy to promote trade at the national level, with the ultimate objective of consolidating the presence of exporting enterprises abroad. In the context of the internationalization of Peruvian enterprises, active work is being carried out with micro, small and medium-sized enterprises to encourage them to open up to the international market, incorporate new technology and international standards into their procedures, stimulate innovation throughout the enterprise, and develop socially responsible, sustainable and environmentally-friendly business practices. It is hoped that, through these initiatives, such enterprises will be incorporated into global value chains.

6.4. In this context, trade policy is an important instrument for social inclusion and development, with the ultimate aim of reducing poverty and improving the welfare of the population through quality employment.

6.5. Peru will continue to address outstanding challenges concerning trade facilitation and logistics, infrastructure, institutional and structural reform, sustainable development and social inclusion. Coordination among institutions and with the various stakeholders involved at national level will continue to be fostered, as will collective work with international partners, with a view to finding effective solutions that allow for the economic, social and trade performance demonstrated in recent years to be maintained and improved.

6.6. Peru's economic growth and trade openness has enabled the country to improve the welfare of its population and reduce poverty at the national level. Through the implementation of policies to increase productivity and competitiveness, and the improvements made with regard to governance and the fight against corruption, Peru hopes to achieve the vision set out in the Bicentenary Plan, which is that of a modern, decentralized, efficient, transparent, participatory and ethical State that is at the service of its citizens.

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