SUMMARY

1. Peru has an open economy, characterized by low tariff levels and few restrictions to international trade. The trade (exports and imports)-GDP ratio stood at 48% in 2018. Mining products account for over 60% of exports. Since its previous Trade Policy Review in 2013, Peru has continued to experience sustained economic growth. Real GDP grew at an average annual rate of 4% between 2012 and 2018, reflecting solid macroeconomic fundamentals and sustained domestic demand. Per capita GDP rose from USD 6,393 in 2012 to USD 6,909 in 2018. The extended period of economic growth, reduction of poverty levels and increase in disposable income have bolstered the development process. However, Peru still needs to tackle a number of challenges, including poverty reduction, better governance and the need for greater investment in infrastructure and higher levels of competitiveness. To this end, the authorities have taken a series of measures, including within the framework of the National Competitiveness and Productivity Policy and the National Integrity and Anti-Corruption Plan.

2. The country moved from a situation of fiscal surplus in 2012 and 2013 to one of growing deficits between 2014 and 2017, partly due to diminishing incomes as a result of lower mining product prices and the effects of natural disasters. This situation was reversed in 2018, when the non-financial public sector (NFPS) deficit stood at 2.3% of GDP, a drop compared to the 3% recorded in 2017. To address a worsening fiscal situation, in late 2016 a new fiscal framework was introduced, aimed at ensuring fiscal sustainability, predictability of public expenditure and transparent management of public funds. Peru has a Fiscal Stabilization Fund (FEF), which is made up of resources accumulated in surplus years to deal with emergency situations, such as natural disasters. During the review period, the FEF was used on two occasions, in 2015 and 2017. At the end of 2018, the FEF had risen to USD 5,770 million (2.6% of GDP).

3. To maintain monetary stability, the Central Reserve Bank of Peru (BCRP) pursues a policy of explicit inflation targets. Between 2012 and 2018, the average annual inflation rate, measured as the average annual increase in the consumer price index, stood at 2.8%, thus remaining within the target range (between 1% and 3%). Peru maintains a flexible exchange rate, with some intervention by the BCRP to avoid excessive fluctuations. The balance-of-payments current account was in deficit during the entire review period, due mainly to the negative balance of factor income. After reaching a high of 5% of GDP in 2015, partly owing to the drop in the value of exports, the current account deficit began to shrink and stood at 1.6% of GDP in 2018, largely due to a better trade balance. The balance of services registered a deficit for the whole review period (1.1% of GDP in 2018), due mainly to negative balances for freight, insurance and reinsurance and communications and business services, while travel recorded a surplus.

4. Export of goods totalled USD 47,906 million in 2018. Despite its broad exportable supply, Peru typically exports raw materials, particularly minerals. Exports of mineral products accounted for 61.6% of total exports – 69.8% if metal manufactures are included. The main export is copper, representing 31.2% of total exports in 2018, followed by gold (14.8% of the total). The share of agricultural products in the total amount of goods exported rose from 15.2% in 2012 to 19.1% in 2018. Imports of manufactured goods accounted for over three quarters of all imports of goods in 2018, with the main items being machinery and transport equipment and chemical products. The leading destinations for exports of Peruvian goods in 2018 were China (27.6%), the United States (16.7%) and the European Union (15.1%). These three trading partners were also the main sources of imports, representing 55.8% combined.

5. In the review period, the annual flow of foreign direct investment (FDI) in Peru continued to be significant. FDI inflows in Peru, including contributions and other net capital operations, net loans with the parent company and reinvestment, reached on average USD 7,969 million between 2012 and 2018, compared with an average of USD 8,101 million between 2007 and 2012. The accumulated volume of FDI in Peru rose to USD 106,438 million in 2018, compared with USD 64,281 million in 2012. This increase in FDI stock reflected economic growth and significant investment flows, especially in mining and financial and other services.

6. In keeping with the National Strategic Development Plan 2021, the National Strategic Export Plan 2015-2025 (PENX 2025) seeks to project Peruvian firms into the international arena, increase exports of value-added goods and services in a sustainable and diversified manner, and enhance the competitiveness of the export sector. To achieve these goals, actions have been identified to

diversify markets and the exportable supply, facilitate foreign trade, improve access to logistical services and build capacity for strengthening an export culture.

7. Peru is a founding Member of the WTO, to which it attaches great importance as a forum for agreeing disciplines and commitments aimed at reducing barriers to international trade. The WTO Agreements are part and parcel of Peruvian legislation and may be invoked before national courts. Peru grants at least most-favoured-nation (MFN) tariff treatment to all its trading partners. Peru's trade policies have been reviewed at the WTO four times, the fourth review having taken place in 2013. Peru is a signatory to the Information Technology Agreement (ITA) but did not participate in its recent expansion. It also ratified the WTO's Trade Facilitation Agreement (TFA) in July 2016, which entered into force on 22 February 2017, and scheduled the vast majority of its Category A commitments for immediate implementation. Peru is neither a signatory nor an observer to the Plurilateral Agreement on Government Procurement. Among the main WTO negotiating issues of interest to Peru are: the elimination of subsidies that have a negative effect on fisheries, and the granting of special treatment to small-scale fisheries; the elimination of trade-distorting domestic support for agriculture; and negotiations on new disciplines for domestic regulation. Moreover, Peru is also involved in exploring new issues. During the review period, Peru submitted numerous notifications to the WTO and participated in two cases as the respondent and in three as a third party before the Dispute Settlement Body (DSB).

8. Peru has 19 trade agreements with 53 countries. It is a founding member of the Andean Community of Nations (CAN) and the Pacific Alliance (together with Chile, Colombia and Mexico). It also has agreements with the Southern Common Market (MERCOSUR), the European Free Trade Association (EFTA) and the European Union (EU). At the bilateral level, it has trade agreements in force with Cuba (2001), Chile (2009), the United States (2009), Canada (2009), Singapore (2009), China (2010), Republic of Korea (2011), Thailand (2011), Mexico (2012), Japan (2012), Panama (2012), Costa Rica (2013), the Bolivarian Republic of Venezuela (2013) and Honduras (2017). During the review period, Peru signed five new trade agreements, with: Mexico, Colombia and Chile under the Pacific Alliance (2014); Brazil (2016); Honduras (2017); Australia (2018); and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP – 2018), which brings together 11 countries. The agreements falling under the Pacific Alliance and with Honduras and Australia have been ratified by Peru, while the agreement with Brazil and the CPTPP, like the agreement signed with Guatemala in 2011, still require ratification.

9. Peru maintains a regime open to private investment – both domestic and foreign – which promotes competition and equal treatment. Foreign investments do not require prior authorization and there is no registration obligation. Foreign investors are guaranteed the free repatriation of all the capital, dividends or profits from their investments. Expropriation may only occur for reasons of national security or public necessity, with the payment of compensation. During the review period, the regulatory framework for the promotion of private investment was unified through public-private partnerships and lent greater predictability to those processes by incorporating OECD principles.

10. During the review period, Peru continued to adopt trade facilitation measures, including in the following areas: customs operations, foreign trade logistics, institutional coordination and simplification of administrative formalities. Some of the specific measures adopted to enhance customs operations are: promotion of the use of advance clearance; speeding up of deferred clearance; improved regulations on customs brokers; and the promotion of logistics platforms. With a view to enhancing institutional coordination, the Multisectoral Commission for Foreign Trade Facilitation was established in late 2017. This body serves as the national committee for the purposes of the TFA. Legislation was also passed to strengthen the Single Window for Foreign Trade. Peru has an Authorized Economic Operator (AEO) programme, which was introduced in 2012. Exporters, importers, customs brokers, authorized warehouses and express delivery service companies can all access it. By the end of 2018, 101 companies had obtained AEO certification.

11. The tariff applied by Peru comprises 7,790 ten-digit tariff lines (HS 2017). The average tariff level continued to drop during the review period, such that the average rate of applied MFN duties fell from 3.2% in 2013 to 2.2% in 2019. Peru's tariff includes only *ad valorem* duties, except for the 48 ten-digit tariff lines (0.6% of the entire tariff schedule) that are subject to the Peruvian Price Brand System (SPFP). These tariff duties are made up of two components: an *ad valorem* component and a specific one. The price band applies to imports of certain agricultural products: rice, sugar, maize (corn) and dairy products. *Ad valorem* import duties are calculated according to the c.i.f. value of the goods. The sum total of the *ad valorem* tariff and additional duties on a good should not

exceed 15% of its c.i.f. value, although this ceiling may be temporarily modified by supreme decree, as was the case for rice in 2018, when the ceiling was temporarily raised to 20%. In 2019, Peru maintains three levels of bindings: 68%, 30% and 0%, with the last being the result of the TFA.

12. Peru does not apply tariff quotas to MFN imports; it only uses them under various regional agreements. A 0% tariff is applied to imports within the preferential quota, while the MFN or preferential duty, according to the agreement, is applied to those outside the quota. In the case of tariff quotas for products subject to the SPFP, the preference is granted in respect of both the *ad valorem* and the specific component. During the review period, quotas were used for very few products and were not always filled. Peru has notified the WTO that it does not apply import licences and does not have an administrative procedure in place for such licences.

13. Imports, like domestic production, are subject to the General Sales Tax (IGV) (general rate of 16%) and the Municipal Promotion Tax (IPM) (2%). Some products are also subject to the Selective Consumption Tax (ISC), which affects the domestic production or import of fuels, liqueurs, new and used vehicles, carbonated beverages and cigarettes. Peru applies a special procedure for the advance refund of the IGV (RERA IGV), which consists of refunding the IGV that is applied to new capital and intermediate goods and construction services, whether imported or local, that are used in the pre-production phase of an investment project.

14. Between 2013 and 2018, Peru initiated 15 proceedings relating to anti-dumping duties, less than half of the number initiated during the 2007-12 period (38 investigations). Of those 15 proceedings, only four were new investigations and the rest were reviews of previously imposed anti-dumping measures. At 31 December 2018, eight anti-dumping measures were in effect. Also at that date, four anti-dumping measures had been in force for over ten years. Between 2013 and 2018, four investigations into subsidies were opened, of which two resulted in the application of definitive countervailing measures. In late 2018, Peru had three countervailing measures in place. During the review period, Peru did not initiate any safeguard investigations within the WTO framework.

15. The Duty Drawback Scheme enables the total or partial refund of tariffs paid for imported inputs or for goods manufactured with imported inputs purchased from local suppliers that are to be either incorporated or used in the production of an exported good, excluding traditional exports (291 tariff lines). A percentage of the f.o.b. value of the exported good is refunded and this varied during the review period: between 2013 and 2014, it was 5%; in 2015, it dropped to 4% and in 2016, to 3%, before rising again to 4% in 2017 and 2018. Since 1 January 2019, the refund rate has been 3%.

16. Peru does not apply export licences or taxes. There are various export financing and guarantee mechanisms, mainly intended to support micro, small and medium-sized enterprises (MSMEs). The Programme to Promote Internationalization (PAI), set up in 2016, co-finances studies and activities that allow MSMEs to improve their management capacities. Peru has an Export Credit Insurance Programme for Small and Medium-Sized Enterprises (SEPYMEX) to facilitate access to credit and reduce financing costs for exporting SMEs through a credit insurance policy aimed at backing pre- and post-shipment loans granted to such SMEs.

17. Peru has some general incentive programmes, mainly intended to promote innovation and competition, MSMEs and regional development. The National Innovation Programme for Competitiveness and Productivity (INNÓVATE Perú), set up in 2014, co-finances innovation and start-up programmes to increase business productivity through four funds. In 2018, various funds were amalgamated to form the CRECER Fund, the resources of which can be used through the financial system, up until 2048, to provide loans for the acquisition of fixed assets and/or working capital, and to grant guarantees and/or credit coverage, among other operations. MSMEs and exporting SMEs can benefit from the CRECER Fund. Peru has various regional development mechanisms. Since 2016, what were formerly known as export, processing, industry, marketing and service centres (CETICOS) are now called special development zones (ZEDs). ZEDs are primary customs zones in which manufacturing, in-bond processing, assembly, storage, repair and service activities are carried out. Companies located in these zones are exonerated from income tax, the IGV, tariffs and all other taxes. These advantages will apply until 31 December 2042. The purpose of the ZEDs is to promote investment, competition and innovation in the regions in which they are located.

18. The general framework for the implementation of standards and technical regulations is governed by the principle of avoiding unnecessary barriers to international trade. During the review period, both the National Quality System (SNC) and the National Quality Institute (INACAL) were established. INACAL is the governing body and highest technical and regulatory authority of the SNC, and the agency with responsibility for standard-setting, accreditation and metrology. The development of technical regulations falls within the respective purview of the various ministries. Although there is no general template for developing draft technical regulations, ministries must base them on available scientific and technical evidence and ensure compliance with multilateral and Andean regional provisions. Between 2013 and 2018, Peru notified 64 draft technical regulations, two addenda to draft technical regulations, two emergency technical regulations and eight final technical regulations. Between January and April 2019, five new notifications of draft technical regulations were submitted. The products concerned by these measures are, for the most part, pharmaceuticals, medical devices, sanitary products, food and beverages. In February 2019, 128 technical regulations were in force. Between 2013 and 2018, WTO Members raised three specific trade concerns regarding Peruvian technical regulations.

19. For the development of sanitary and phytosanitary (SPS) measures, a risk analysis is first carried out; a report is then prepared and the draft measure is drawn up indicating the relevant requirements. A notification is then sent to the WTO. Subsequently, a resolution is issued and the measure is published as an approved standard in the Official Journal, after which it is notified to the WTO. Five risk categories have been established for animal and plant health, and the type of action to be taken by the corresponding inspection agency depends on the risk category of the product to be imported; the risk category is also taken into account to determine whether an import permit is required. Between January 2013 and April 2019, Peru submitted 350 substantive notifications relating to the adoption of SPS measures. Most of these measures were adopted to preserve plant health and were ordinary in nature; only ten were emergency measures. No trade concerns were raised in respect of the sanitary and phytosanitary measures adopted by Peru during the review period.

20. Since its previous review, Peru has introduced reforms to its competition regime with a view to improving implementation of the regulatory framework, strengthening the role of the competition authority and promoting better functioning markets. The main changes include the introduction of penalty procedures for persons or companies that facilitate the formation of cartels; the broadening of the scope of the leniency programme; an increase in incentives to make commitments to cease anti-competitive practices; and increased fines for infringements. The Free Competition Commission, which is responsible for ensuring compliance with the law on competition and for settling proceedings concerning anti-competitive conduct in first instance, worked actively over the 2013-18 period, imposing fines totalling over USD 216 million. Yet Peru continues to be one of the few countries in the region that does not have legislation providing for *ex ante* control of concentrations (except in the electricity sector by virtue of the legislation governing that sector). The country would benefit from the adoption of such legislation, since it would help prevent the formation of monopolies and further boost competition. In this regard, the authorities have indicated that a draft law on *ex ante* control of economic concentration operations was before Congress for passage.

21. During the review period, Peru reformed the legal and institutional framework of its government procurement system to bring it in line with international best practices. The new Government Procurement Law, which entered into force in January 2016, places emphasis on results-based management of government procurement and, amongst other things, establishes provisions for simplifying procurement procedures; promotes the use of requirement standardization and other procurement methods (framework agreements, reverse auction, etc.); reclassifies selection procedures; and puts in place a central procurement agency. The Law was subsequently amended to speed up government procurement procedures, combat corruption and strengthen the Supervisory Authority for Government Procurement. The legislation provides for some preferences in order to encourage SMEs to participate in government procurement. In 2018, Peru's state-owned enterprises engaged in procurement to the tune of USD 13,460.7 million, of which 42.5% was through public tender, 18.8% through open competition, 25.7% through the simplified award procedure, 8.3% through direct procurement and the remainder through other procedures such as electronic reverse auction.

22. Peru's legal framework for intellectual property comprises its domestic legislation, the CAN regime, and bilateral and multilateral treaties and agreements. The TRIPS Agreement, along with other international treaties and conventions which Peru has signed, are part and parcel of Peru's

domestic legislation and may be invoked before its courts. Peru is party to 16 conventions and treaties on intellectual property rights administered by the World Intellectual Property Organization. During the review period, Peru joined the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled; the Singapore Treaty on the Law of Trademarks; and the Beijing Treaty on Audiovisual Performances. During this period, minor amendments were introduced to legislation on copyright and related rights. Border measures may be enforced at the request of a party or *ex officio* in respect of goods reasonably suspected of being counterfeit or pirated.

23. Peru produces a wide variety of agricultural products. Agricultural products accounted for 14% of total exports in 2018 (some USD 6,615 million). The major exports in 2018 were grapes, avocados, coffee, blueberries, asparagus, mangoes, cocoa and its by-products, and citrus fruit. During the review period, the tariffs applied to the agricultural sector (WTO definition) dropped from 3.9% in 2013 to 2.9% (3% if *ad valorem* equivalents of the SPFP are included). The National Agrarian Policy sets out a medium- and long-term framework for promoting sustainable agricultural development (with priority given to family farming) and development and social inclusion among the rural population. Peru provides limited support to the agricultural sector. The Rural Agrarian Production Development Programme (AGRORURAL), which recently merged with other programmes, continues to be Peru's principal agricultural support programme, funding public investment projects in less economically developed rural areas. The budget allocated for achieving these objectives in 2018 rose to USD 153.8 million. The Agricultural Bank (AGROBANCO) funds support programmes that provide direct credit to micro and small agricultural producers, under the terms established pursuant to agreements.

24. Peru is a major producer and exporter of fishery products, including fishmeal and fish oil, and aquaculture products. Peru's leading fishery resources are: anchoveta, prawns, turbot, sole and other species. Exports of fishery products have grown considerably in recent years and in 2018 totalled USD 3,306 million. The National Fisheries Development Fund (FONDEPES) provides technical, economic and financial support for the development of small-scale maritime and inland fishing activities, as well as fishing and aquaculture activities. FONDEPES has various credit modalities, each with different products. Peru participates actively in the negotiations on fisheries subsidies at the WTO and is part of the Organization's informal grouping known as "Friends of Fish".

25. The mining and energy sector is of great importance to the Peruvian economy. In 2018, it represented 13.1% of GDP and close to two thirds of exports. That same year, exports of mining products and hydrocarbons totalled USD 31.790 million, of which mining exports accounted for USD 27,589 million. Copper was the leading export (31.3% of the total), followed by gold (14.7%) and zinc (5.4%). Mining activities were carried out under the system of concessions, which are irrevocable and can be granted to private individuals, both foreigners and nationals alike. The marketing of minerals does not require the granting of a concession. Formalization of small-scale and artisanal mining activities is a priority of the mining policy. Mining concessionaires must pay mining royalties, concession fees and the Special Mining Tax. Small-scale and artisanal producers are not subject to the payment of royalties or this tax. The exploration, exploitation, transport and distribution of hydrocarbons are carried out in a competitive context. Peru is a net importer of oil. Supervised oil production has been diminishing over time, whereas that of gas and liquids has been growing. Electricity generation is diversified: there are hydroelectric plants (57.8% of all energy produced in 2018) and thermoelectric and solar power plants, as well as wind farms. The generation, transmission and distribution of electric power are activities that may be conducted by the private sector – both domestic and foreign. Private companies accounted for 80% of the energy produced in 2018.

26. During the review period, progress was made in respect of the expansion of financial services and people's access to and use of such services, although further efforts are needed to ensure greater inclusion. Foreign investment in banking is openly allowed, with no limits on equity participation. Foreign banking firms may set up branch offices or subsidiaries, which enjoy the same rights as domestic firms. Banks may not engage in insurance activities, but may market insurance products if they have signed a marketing agreement with an insurance company. The insurance market, both for commercial insurance and insurance related to social security, is open to foreign investment. To provide insurance services, foreign companies may set up branch offices or subsidiaries. Restrictions are not applied to the participation of foreign investors in Peru's securities markets. The Lima Stock Exchange (BVL) is the country's leading stock market. Its trade in shares in 2018 was worth USD 3,392.5 million.

27. During the review period, Peru implemented a number of measures aimed at fostering development and competition in the telecommunications sector and broadening and improving access to and coverage of services in the country. Notable among these are the adoption of new regulations to facilitate number portability, measures to protect users and new rules to manage the radio-frequency spectrum. The authorities also launched an important public-private investment plan to develop telecommunications infrastructure, improve connectivity and expand services to rural areas.

28. Domestic commercial aviation is reserved for Peruvian natural or legal persons. In order to be considered as such, a Peruvian legal person must have its main domicile in Peru and at least half plus one of its directors must be Peruvian nationals or be permanently domiciled in Peru. Furthermore, at least 51% of the company's share capital must be owned by Peruvian nationals during the first six months of validity of the first operating permit. Beyond these six months, up to 70% of the share capital may be owned by foreigners. Regarding domestic commercial aviation operations, staff performing aeronautical duties on board must be Peruvian nationals or resident foreigners with a Peruvian licence. During the review period, there were several changes to the legislation governing maritime transport, such as the establishment of a legal framework for logistics hubs and the adoption of new regulations to enable the liberalization of maritime cabotage transport for passengers and freight. The new legislation, passed in September 2018 and pending implementation, removes the requirement for at least 51% of equity to be held by Peruvian nationals, the requirement for the board of directors and management of the company to hold Peruvian nationality, and the requirement for ownership of Peruvian-flagged vessels. Management of port infrastructure may be handed over to the private sector (Peruvian or foreign) for up to 30 years for the purposes of developing new port infrastructure or modernizing or improving existing infrastructure. The tourism sector, which has been growing in recent years, is an important source of foreign currency and benefits from incentives and promotional measures.