

Navigating Opportunities: Strengthening India's Economic Engagements with Peru



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Navigating Opportunities: Strengthening India's Economic Engagements with Peru

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Executive Summary

Macroeconomic Overview of Peru

Peru, officially designated as the Republic of Peru, is one of the most dynamic economies in Latin America. With nearly half of the country covered by the Amazon forest, the world's largest rain forest, Peru is one of the richest countries in the world in terms of natural resources, endowed with minerals such as gold, silver, copper, zinc, lead and iron, and reserves of oil and natural gas. Peru is an export-oriented economy, characterised by attractive business environment and prudent macroeconomic policies. Key strengths of Peru's economy include a low public debt-to-GDP ratio, a substantial pool of foreign exchange reserves, a credible central bank, and a strong and well capitalised financial system that is resilient to liquidity shocks. In 2024, the Peruvian economy recovered from the previous year's recession, with an estimated growth of 3%.

After a sustained disinflationary trend that started in 2023, inflation remains within the Central Reserve Bank of Peru (Banco Central de Reserva del Perú or BCRP)'s 1-3% target range in most of 2024, supported by a decline in international oil and agricultural commodity prices. Currency depreciation, possibly caused by political instability, remains a risk to inflation. Peru operates with a floating exchange rate, with the Central Bank intervening to prevent excessive fluctuations. The Peruvian sol is anticipated to strengthen in 2025, as copper prices rise and the Fed continues with its monetary-easing cycle, weakening the US dollar. At the same time, higher copper prices are likely to stimulate a surge in remittances and result in a higher trade surplus, as the escalating prices and a surge in mining export values may offset a rise in imports, driven by a rebound in domestic demand. The services deficit is expected to narrow slightly, as tourism returns to its pre-pandemic levels.

International Trade and Investment of Peru

Merchandise Trade of Peru

Merchandise trade plays a pivotal role in driving Peru's economic growth. Exports, particularly from the mining and agricultural sectors, constitute over 20% of GDP, providing vital foreign exchange reserves and stabilizing the national currency, the sol. Peru often enjoys a trade surplus, supported by high global demand for its minerals, which helps fund essential imports and maintain economic balance. A decadal analysis reveals that the global trade of Peru increased from US\$ 85.9 billion in 2013 to US\$ 116.5 billion in 2023, albeit with some moderation due to various external factors including the COVID-19 pandemic. Peru's exports have consistently outpaced imports since 2017, resulting in a sustained trade surplus.

Ores, slag and ash dominate Peru's export basket, accounting for 41.9% of Peru's total exports in 2023. Other top exported products were pearls, precious stones and metals that constitute 13.5% of total exports (mostly gold), followed by edible fruit and nuts, mineral fuels and oils and copper and articles. The main non-traditional exports include grapes, avocados, squid, blueberries, asparagus, mangos, t-shirts, cotton apparel, products of wool, fine animal hair and cotton, balanced feed, calcium phosphate, prawns, copper wire, mandarins, bananas and cocoa.

Peru's exports are heavily concentrated in a few key markets, with China leading by a significant margin due to its demand for copper, gold and other minerals accounting for over one-third of Peru's exports. Other major destinations include the US and Canada. The country has also expanded trade with Asian economies such as India, South Korea and Japan, underscoring its reliance on the region's industrial demand. In Latin America, Chile, Brazil and Ecuador serve as major regional partners, primarily importing agricultural and manufactured goods.

Mineral fuels and oils were the largest items in Peru's import basket, accounting for 17.8% of total imports in 2023, followed by machinery and mechanical appliances, vehicles other than railway or tramway, electrical machinery and equipment and plastics and articles. These top five commodities account for more than half of Peru's imports. At a disaggregated level, the major imported items in 2023 include petroleum oils and oils obtained from bituminous minerals; petroleum gas and other gaseous hydrocarbons; coal; briquettes, ovoids and similar solid fuels manufactured from coal, among others. The main agricultural imports are maize, oil cake, wheat and soya bean oil. Nearly half of Peru's imports are from China and the US. Latin American partners also play a substantial role in Peru's imports. While Brazil and Argentina are key sources of food products, chemicals and industrial supplies, Mexico, Chile and Colombia supply manufactured goods and foodstuffs. European partners such as Germany and Spain export machinery and pharmaceuticals to Peru, while India, Japan and South Korea supply products such as automobiles and electronics.

Services Trade of Peru

Peru's services exports peaked at US\$ 6.7 billion in 2019 but declined during the pandemic years, mainly due to lower travel and transport related exports. Services exports recovered in 2021 and increased steadily thereafter, reaching US\$ 5.8 billion in 2023. Services imports have grown from US\$ 8 billion in 2014 to US\$ 13.1 billion in 2023, with the imports value surpassing that of exports throughout the decade. Significant growth in imports resulted in a widening of services trade deficit from US\$ 2.5 billion in 2014 to US\$ 7.3 billion in 2023.

Services exports of Peru are dominated by travel and transport-services, which together accounted for over 77% of Peru's services exports, followed by professional and management consulting services. The top five destinations include the US, China, Japan, UK and Germany, accounting for more than 51% of Peru's services exports. India was the 8th largest services export destination, accounting for 3.3% of Peru's services exports in 2023.

Services imports basket of Peru remains well diversified, with transport services accounting for the highest share of imports (33.2%), followed by travel (24.7%), other business services (14.4%) and telecommunication and computer services (10.8%). The top five sources, including the US, China, UK, Spain and Germany accounted for more than 56% of Peru's services imports. India was the 8th largest import source, accounting for 2.2% of Peru's services imports in 2023.

Foreign Direct Investment of Peru

According to Financial Times' fDi Markets, during January 2014 to December 2023, Peru received a total envisaged FDI capital expenditure of US\$ 38.3 billion from 631 projects in the country. Maximum envisaged FDI capital expenditure in Peru was from Mexico, accounting for 23.6% of total capex invested in the country during January 2014 to December 2023. China was the second largest investor with a share of 22.1% in total investment, followed by Spain (11.1%), Chile (8.7%) and the US (7.9%). The fDi Markets database shows no record of India's investments in Peru during the period covered. Metals sector received the maximum envisaged FDI capital expenditure in Peru, amounting to US\$ 15 billion, representing 39% of the total envisaged FDI inflows received during January 2014 to December 2023. This was followed by investments in transportation and warehousing (US\$ 8 billion), communications (US\$ 4.2 billion) and renewable energy (US\$ 3.1 billion).

A total outward envisaged FDI capital expenditure of US\$ 2.8 billion was made by Peru investors in 126 projects, from January 2014 to December 2023. Guatemala was the largest recipient of envisaged FDI capital expenditure from Peru, with a capex investment of US\$ 418.7 million during 2014-2023. India was the 12th largest destination for envisaged investment flowing from Peru during this period, amounting to US\$ 64.1 million. Transportation & warehousing sector accounted for 34.9% of the envisaged outward investment of Peru, amounting to US\$ 981.9 million during 2014-2023. Other major sectors attracting FDI capex from Peru were building materials (US\$ 390 million), food & beverages (US\$ 373.3 million) and consumer products (US\$ 311.1 million), among others.

India-Peru: Bilateral Trade and Investment Relations

India and Peru maintain strong bilateral economic relations, characterized by healthy cooperation across sectors, including healthcare, pharmaceuticals, energy, mining, textiles, agriculture, science and technology, defense, space, ICT and capacity building, among others.

India's Merchandise Trade with Peru

In 2023, India was the fourth largest export destination of Peru, following China, the US, and Canada. At the same time, India was the 11th largest source of imports for Peru, with China and the US holding the top two positions. Since 2016, bilateral trade has been dominated by India's imports from Peru, which comprise 75.2% of the total trade in 2023. Due to this imbalance, India's trade balance with Peru has been in deficit since then, with the trade deficit widening from US\$ 307.3 million in 2016 to US\$ 1.9 billion in 2023. India's imports from Peru witnessed a significant jump in 2021 reaching US\$ 2.6 billion from US\$ 1.4 billion the previous year and eventually touching US\$ 2.8 billion by 2023.

India's exports to Peru have seen a moderate increase over the past decade, rising from US\$ 754.6 million in 2014 to US\$ 916.3 million in 2023. In 2023, vehicles other than railway or tramway (HS 87) dominated India's exports to Peru with a share of 30.8%, amounting to US\$ 282.4 million, followed by cotton, pharmaceutical products and machinery and mechanical appliances. Notably, the top 15 export commodities made up 87% of India's total exports to Peru in 2023.

India's imports from Peru are concentrated in pearls, precious stones and metals (HS-71), which accounted for 86.5% of its imports from Peru. At a more disaggregated level, major imports under HS-71 include gold, including gold plated with platinum, unwrought, for non-monetary purposes (HS-710812) valued at US\$ 2.4 billion imports in 2023 and silver (HS-710692) valued at US\$ 34.7 million. Peru is the fourth largest supplier of gold to India, accounting for over 5.7% of India's global gold imports in 2023.

India–Peru Bilateral Trade in Services

According to the most recent data available, India's services exports to Peru stood at US\$ 227 million in 2021 whereas its services imports from Peru stood at US\$ 175 million. India's services trade balance with Peru remains in surplus for most of the period under consideration, except for two years, viz. 2017 and 2018. India's export basket mainly comprises telecommunication, computer and software services (37%), followed by transport (26.4%), and other business services (23.3%). India's services imports from Peru are largely dominated by transport (52.6%), other business services (18.9%), and travel services (7.4%).

India's Bilateral Investment Relations with Peru

Bilateral foreign direct investment (FDI) flows have been relatively modest between India and Peru. During the period of April 2000 to December 2024, Peru's FDI equity inflows into India stood at US\$ 3.8 million mainly into sectors including beverages, mining and drilling, mining services, and industrial lubricants, among others. During the same period, India's FDI outflows to Peru stood at US\$ 28 million into diverse sectors including mining, information technology (IT), automobiles, pharmaceuticals, and transportation.

Aligning India's Exports with Peru's Import Demand

The study has identified potential items of exports which could be targeted by Indian exporters. To identify the products based on their export competitiveness in Peru, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level by calculating their Normalised Revealed Comparative Advantage (NRCA) and mapping them against the average annual growth rate (AAGR) of global imports of Peru for all products. The quadrants are drawn by comparing the overall AAGR of global imports of Peru for all products during 2019-2023 (which was 5.9%), to the NRCA of India's exports to Peru during the same period. This exercise aims to identify products whose imports in Peru over the period 2019-2023 have performed better than the overall imports of Peru for all products during this period, implying that the share of such products in Peru's import basket has witnessed an increase, and mapping them with products in which India has comparative advantage. At 6-digit HS Code, with minimum exports of US\$ 0.1 million from India to Peru, 625 products have been identified representing a combined export value of US\$ 903.1 million (98.6% of India's exports to Peru in 2023), while the total imports by Peru for the same products stood at US\$ 20.5 billion in 2023 (39.2% of Peru's global imports in 2023).

Out of the 625 items at the HS 6-digit level, 290 items belonged to the category of the Product Champions. The combined exports of these items from India to Peru were US\$ 603.5 million in 2023, representing approximately 65.9% of India's exports to Peru. The study highlights that in the short term, it is important to strengthen the existing products in the category of Product Champions to harness the full potential for the products which are already showing robust growth in Peru, where India's exports also hold a comparative advantage. This category includes products such as motor cars, motorcycles, single cotton yarn, woven fabrics, ceramic products, articles of copper, and parts and accessories of motor vehicles, among others.

The Underachievers segment consisted of 136 items, with India's exports to Peru worth US\$ 45.3 million for these products. These products constitute 4.9% of India's total exports to Peru. These are the product items in which import demand in Peru is rising, but India does not have the required competitiveness in the export of these items. Concerted efforts could be made to develop capacities in products in the Underachievers category, which will help in meeting the demands of Peru more competitively. In the medium to long run, efforts and investments could be enhanced in the Underachievers category products to develop capacities,

which include medium oils and preparations, motor vehicles for transporting goods, footwear of rubber / plastic and items such as sports footwear, food preparations, insecticides and herbicides, pneumatic tyres, cane or beet sugar and auto components, among others.

Barriers in India-Peru Goods and Services Trade

According to the latest WTO report, Peru's average most favoured nation (MFN) applied tariff on agriculture commodities stood at 2.8%, and 2.3% for non-agricultural products. Peru has done unilateral import tariff reductions, which had led to an average MFN tariff of just 2.3% and trade weighted average of 1.7% in 2023, considered as one of the lowest among WTO Members.

Tariff on Peru's Imports from India

In the current analysis, the tariff at a 6-digit HS code is considered, using TRAINS based WITS data for the year 2022. For the simple average of the effectively applied tariff (AHS) by Peru on imports from India, there are 2,063 tariff lines (at 6-digit HS code) that have effectively applied tariff rate of 0%, which amounted to total imports of US\$ 507.6 million in 2022, and this corresponds to 42.8% of the total imports of Peru from India in 2022. There are 582 tariff lines under the 5-10% bracket and 326 lines under 11% effectively applied tariff rates, amounting to a combined 6.1% share in total imports.

Tariff on India's Imports from Peru

This section covers tariffs imposed by India on Peru's exports at a 6-digit HS code level. There are only 11 tariff lines (at 6-digit HS code) on which India imposes the effectively applied tariff of 0%, imports for which amounts to US\$ 0.1 million in 2022. There are 124 tariff lines under 1-10% AHS, with imports value of US\$ 354.5 million and 14.2% share in India's imports from Peru. There are 326 tariff lines, amounting to US\$ 2.1 billion under the 10%-20% effectively applied tariff, which corresponds to 85.4% of India's imports from Peru in 2022. In addition, there are 218 tariff lines with India's imports from Peru amounting to US\$ 8.8 million, which are subject to effectively applied tariff between 20% to 50%. There are 36 tariff lines that have effectively applied tariff rates of greater than 50%, which amounted to combined imports of US\$ 0.3 million in 2022, accounting for 0.01% of India's total imports from Peru.

Non-Tariff Measures Imposed by India in Goods Trade

Data from the WTO's Integrated Trade Intelligence Portal (I-TIP) indicate that as of June 30, 2024, India has imposed around 1,029 NTMs against WTO members, including Peru. Among these NTMs, ADP, SPS and TBT are the most commonly used, with 376 ADP, 276 SPS and 273 TBT currently in place. The chemical and allied industries face the highest number of NTMs (274), imposed by India in the form of ADP (195), TBT (62), SPS (6), QR (5), STE (3) and CV (3). Resins, plastics and articles, rubber and articles and base metals and articles also have a significant number of NTMs (128 each).

Non-Tariff Measures Imposed by Peru in Goods Trade

As of June 30, 2024, Peru has 1,138 NTMs towards the WTO members (including India), as well as bilaterally imposed on India by Peru. Among the 1,138 NTMs, SPS and TBT measures are among the most used NTMs, with 972 SPS and 128 TBT. Other safeguards include ADP (10), QR (6), CV (4) and SG (2). Vegetable products sector is the most protected sector by Peru through NTMs, consisting of 712 measures. The sector is largely

protected through SPS (694) and TBT (17). With 210 NTMs, the live animals and products sector is also largely protected.

Services Trade Restrictiveness Index

As per the OECD, the STRI database records regulations in force, and does not consider preferential agreements. Peru is among the top 20 economies with the best regulatory performance in 2023 with relatively low STRIs, while India is ranked 43rd. Among the major sectors in Peru, broadcasting services have the highest STRI value of 0.60 against the world average of 0.29. Other sectors with high STRI values in Peru are air transport at 0.35 compared to the world average of 0.17, maritime transport at 0.30 compared to the world average of 0.26 and logistics, which comprise storage and warehouse, cargo-handling, freight forwarding, whose STRI values stood at 0.30, 0.30 and 0.29, respectively, compared to the world average of 0.20 each. Peru's lowest STRIs are in distribution services (0.14), legal services (0.14), architecture services (0.15) and telecommunication services (0.15) against the world average of 0.19, 0.29, 0.21 and 0.19, respectively.

India has an STRI score above the world average in all 22 sectors. Among the sectors, rail freight transport has the highest STRI value of 1 (maximum STRI value), which is well above the world average of 0.30. The other sectors with high STRI values in India are legal services (0.87) and accounting services (0.76). The lowest STRIs are in computer services (0.15) and engineering services (0.16), against the world average of 0.20, and 0.21, respectively.

A comparison of India's STRIs with that of Peru reveals India's STRIs are significantly higher compared to Peru in the case of rail freight transport, legal and accounting services. However, Peru is also restrictive in broadcasting, air transport, maritime transport and logistics as the STRI for these remain above the world average in 2023. Also, in comparison to India, Peru is more restrictive in the case of computer services, engineering services, road freight transport, sound recording services, logistics (freight forwarding) and broadcasting.

In terms of policy area-wise, Peru majorly restricts the services trade through restrictions on foreign entry, restrictions to movement of people and regulatory transparency. Sectors that impose high restrictions on foreign entry include broadcasting services (0.51), air transport (0.19) and maritime transport (0.17). Sectors such as computer services, construction, engineering services, accounting services, and maritime transport have greater restrictions to movement of people than others. The sectors that impose high restrictions on regulatory transparency are logistics (0.46) and road freight transport (0.06), among others.

Based on the above analysis, computer services, engineering services, logistics and transport services are the potential sectors which are likely to provide a comparative advantage to both India and Peru in case of services trade liberalisation.

Barriers Faced by Indian Service Suppliers in Peru

Under Mode 1 (cross-border trade), Mode 3 (commercial presence) and Mode 4 (movement of natural persons), Peru has imposed conditions on operation through conditions on government procurement. There is a threshold above which domestic tender is mandated as well as a threshold above which international tender is mandated. Peru also imposes conditions on services suppliers for international data transfer. Laws distinguish between countries or regions to which data may be transferred to or accessed from abroad.

Under Mode 3 (commercial presence), Peru has imposed conditions on market entry through restrictions on the acquisition and/or rental of land and real estate by foreigners. With respect to conditions of operations under Mode 3, no restrictions on subsequent transfer of capital and investment are imposed by Peru. Under Mode 4 (movement of natural persons), Peru has not imposed conditions on market entry through quantitative restrictions. There is no limit on the share of foreigners employed in the domestic economy.

Sector-wise Quantitative Measure for Movement of People

In Mode 4, Peru imposes sector-wise quantitative measures (for firms and natural persons) as part of the conditions for market entry. Peru imposes a limit only on a number of foreigners employed per company. Limit is also imposed on the total number or share of foreigners employed per company (covering intra-corporate transferees and other foreign employees of companies established in the country, whether locally- or foreign-controlled). The number of foreign employees, in both national and foreign companies, may not exceed 20% of the total payroll. Employers may ask for this quota to be waived when it comes to specialised professional or technical personnel or managerial personnel of a new or renewed business activity. Among the exceptions to this quota are also the cases of foreign personnel who work in a multinational services company. Moreover, the salaries of all foreign employees may not exceed 30% of the total payroll. There is no separate quota imposed for contractual services suppliers, independent professionals or intra-corporate transferees. There are also no requirement for economic needs or labour market requirement tests.

Key Recommendations and Way Forward

India and Peru share a growing economic partnership, driven by complementary trade interests and investment opportunities. Strengthening trade relations through a potential FTA and sectoral collaborations could create new opportunities for economic growth in both countries. Further, India and Peru have a unique opportunity to strengthen their economic relationship by leveraging their respective strengths across key industries as detailed below.

Agriculture and Food Processing

India and Peru have complementary agricultural strengths, creating opportunities for trade and collaboration in best practices. India excels in producing pulses, cereals, spices, dairy, and processed foods, while Peru specializes in high-value superfoods like quinoa, avocados, blueberries, and grapes. India's expertise in agri-tech solutions, including affordable farm machinery and irrigation systems, can benefit Peruvian farmers. Mobile-based innovations for crop insurance, soil testing, and weather forecasting can further support agricultural productivity in Peru. Investment in food processing and cold chain infrastructure can enhance exports, with Indian firms establishing processing units in Peru and Peruvian firms investing in India's food parks. Peru's expertise in organic farming can help India align with global sustainability trends and boost its organic exports. Mutual recognition agreements (MRAs) on sanitary and phytosanitary (SPS) measures can facilitate smoother exports by reducing non-tariff barriers. Joint research on climate-resilient crops can strengthen food security in both countries.

Renewable Energy

India has made significant advancements in renewable energy, positioning itself as a global leader in solar and wind power, with a combined capacity of over 175 GW. The National Green Hydrogen Mission aims to produce 5 million tons of green hydrogen annually by 2030, reinforcing India's commitment to clean energy. Peru, with 57% of its electricity generated from hydropower, has vast untapped potential in solar and wind energy,

particularly in its coastal and highland regions. The Peruvian government seeks to diversify its energy mix, reduce reliance on hydropower and expand renewable sources, creating opportunities for collaboration with India. Technology transfer and infrastructure development can facilitate Peru's renewable energy expansion, with Indian companies investing in solar parks and wind farms. Joint ventures would strengthen Peru's energy security while creating new investment opportunities for Indian firms. Green hydrogen production is another promising area, leveraging Peru's hydropower resources and India's expertise in hydrogen technology and distribution. Collaborations in green hydrogen could lead to increased bilateral trade in hydrogen-based fuels, while integrating both the countries into global clean energy markets. Research and development initiatives can advance hydrogen storage, electrolyser efficiency, and hybrid solar-wind systems, fostering innovation and technical expertise. Additionally, Peru's rich reserves of lithium, copper, and rare earth elements are crucial for India's clean energy ambitions, particularly in battery and solar cell manufacturing. An FTA easing restrictions on mineral imports would help secure India's supply chain while strengthening energy security.

Automobile Industry

India, the fourth-largest automobile market globally, has established a strong presence in small passenger vehicles and two-wheelers, with exports exceeding 4.5 million units in 2023. Its strengths in cost-effective manufacturing, competitive labour costs, and a well-developed supply chain make it a key player in global markets, particularly in fuel-efficient and electric vehicles (EVs). Peru, an emerging market with a growing middle class and stable economic growth, has a rising demand for affordable automobiles. Since the country relies heavily on imports, it presents a valuable opportunity for Indian automakers, especially in two-wheelers and budget-friendly passenger cars. Indian firms can cater to both urban and rural markets by exporting low-cost vehicles and collaborating in EV production. An FTA between India and Peru could further boost exports by reducing tariffs, making Indian vehicles more competitive against other major producers including US, Japan, and South Korea. Peru's geographic location offers India strategic access to other Latin American markets like Chile, Colombia, and Ecuador, offering an opportunity to strengthen India's auto export footprint in the region.

Mining Sector

Peru is a major global producer of essential minerals like copper, gold, silver, zinc, and lead, with the mining sector contributing 10% to GDP and over 60% to export revenues. As the world's third-largest producer of copper, Peru plays a crucial role in supplying minerals needed for manufacturing, electronics, and infrastructure. Peru is also a major producer of lithium and rare earth elements, the essential ingredients for manufacturing solar cells, batteries and electric vehicle (EV) components. The Peruvian government encourages foreign investment to expand its mining sector, creating opportunities for Indian companies to engage in exploration, extraction, and value-added processing. India's rapidly growing economy, infrastructure expansion, and the rise of the EV sector have significantly increased its demand for minerals like copper, zinc, and silver. Since India relies heavily on imports for these critical resources, Peru emerges as a key strategic supplier. India's growing demand for lithium for clean energy, especially for manufacturing EV batteries and renewable energy equipment, makes Peru a strategic partner. Establishing a reliable supply chain with Peru for the critical minerals can support Indian industries. To strengthen trade ties, Indian companies could enter into long-term mineral supply contracts with Peruvian firms, ensuring a stable and diversified source of raw materials. Investment in mining exploration and production by Indian public-sector enterprises like NMDC Ltd could further secure supply chains and reduce costs. Further, India can also share its expertise in sustainable mining and environmentally friendly waste management practices to enhance Peru's mining operations.

Metals

As the world's second-largest steel producer, India has a rising need for both raw and processed metals. India's metals sector is rapidly expanding, particularly in steel, aluminium, and copper production, driven by demand from the construction, automotive, electronics, and renewable energy industries. Peru's abundant reserves of non-ferrous metals like copper, zinc, and silver, present a strategic opportunity for India to secure a stable supply of high-quality raw materials, improving cost-efficiency in metal production. Collaboration could also be extended to joint ventures in metal refining, where Indian companies establish refining and smelting plants in Peru to process raw metals, leveraging India's expertise in refining technologies, while strengthening the supply chain and adding value to Peru's exports. Moreover, India's expertise in metal recycling offers another avenue for partnership, helping Peru develop sustainable recycling practices for non-ferrous metals like aluminium and copper, reducing the environmental impact of mining and promoting resource efficiency.

Tourism

India and Peru have rich cultural and historical attractions, making tourism a key sector for economic growth. With government support, both countries are experiencing post-pandemic recovery, with Peru seeing a 25.7% increase in visitors in 2023 and India aiming for 100 million inbound tourists by 2047. Given these trends, India and Peru have an opportunity to collaborate in tourism promotion through joint marketing efforts, including showcasing their iconic landmarks, ancient civilizations, vibrant festivals, and diverse landscapes, to create attractive travel packages for international tourists. Highlighting cultural connections and shared heritage through coordinated campaigns can foster greater tourism interest, promoting increased economic activity and cultural exchanges between the two nations.

Pharmaceuticals and Healthcare

Peru's healthcare and pharmaceutical sectors face significant challenges, including limited access to quality healthcare, particularly in rural areas, and a fragmented health system. India can play a significant role in strengthening Peru's healthcare and pharmaceutical sectors by leveraging its expertise in affordable medicine, digital health, medical training, Ayurveda and alternative healing practices.

Digital Public Infrastructure and other Areas of Cooperation

India's digital public infrastructure (DPI) offers immense potential for collaboration, particularly in financial technology and digital governance. The recent agreement between NPCI International and the Central Reserve Bank of Peru to develop a UPI-like real-time payments system in Peru is a landmark initiative. By adopting India's digital payment ecosystem, Peru can enhance financial inclusion and improve transaction efficiency. Moreover, given India's expertise in digital identity (Aadhaar), public procurement (ONDC), and e-governance, cooperation in these areas can significantly boost Peru's digital economy.

At the same time, enhancing trade and financial cooperation through local currency trade settlements will reduce dependence on foreign exchange and mitigate currency risks. Promoting trade settlements in Indian Rupees and Peruvian Sol will facilitate easier transactions and support businesses in both countries.

Further, implementing Mutual Recognition Agreements (MRAs) in sectors such as pharmaceuticals, food safety, automobile components, and professional qualifications will remove trade barriers and encourage smoother market access.



Peru's Economic Landscape: An Overview

Peru, officially designated as the Republic of Peru, is one of the most dynamic economies in Latin America. It shares borders with Ecuador and Colombia to the north, Brazil to the east, Bolivia to the southeast, Chile to the south, and is flanked by the Pacific Ocean to the south and the west. The country's geography encompasses arid coastal plains in the west, the towering Andean peaks running from north to southeast, and the lush Amazon Basin tropical rainforests in the east, nourished by the Amazon River.

Covering an area of 1.85 million square kilometres, Peru is the 19th largest country in the world and the third largest in South America, after Brazil and Argentina. Peru's diverse landscape and ecosystems not only make it environmentally significant but also contribute to its rich cultural heritage, deeply rooted in indigenous traditions and colonial history.

With nearly half of the country covered by the Amazon forest, the world's largest rain forest, Peru is one of the richest countries in the world in terms of natural resources, endowed with minerals such as gold, silver, copper, zinc, lead and iron, and reserves of oil and natural gas.

Peru is a sovereign state governed as a representative democratic republic, divided into 25 administrative regions. Its economy is driven by key sectors such as mining, manufacturing, agriculture and fishing, with emerging industries like telecommunications, biotechnology and tourism gaining momentum. Peru is part of the Pacific Pumas, a political and economic coalition of Latin American nations along the Pacific coast that share common characteristics, including sustained economic growth, stable macroeconomic policies, improved governance, and a commitment to global integration. These countries are known for their openness to trade liberalisation and efforts to attract foreign investment.

In terms of international relations, Peru is a member of the Asia-Pacific Economic Cooperation (APEC), the Pacific Alliance (alongside Mexico, Chile and Colombia), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the World Trade Organization (WTO). Peru also ranks relatively high in social freedoms, reflecting progress in areas such as individual rights and civil liberties. The country's strategic position along the Pacific coast and its involvement in major trade agreements underline its ambition to become a regional hub for commerce and investment, reinforcing its role in the broader global economy.

Peru has been one of the world's fastest-growing economies owing to an economic boom experienced during the 2000s, but that trend has slowed in recent years due to the COVID-19 pandemic, political instability and social conflict. Peru has demonstrated agility in responding to external challenges.

Between 2004 and 2013, Peru saw significant economic growth, with poverty falling from 60% to 33%. These positive results had been underpinned by solid macroeconomic policies, including measures to ensure fiscal sustainability. However, from 2014, falling mining prices and slower growth among key trading partners led to an economic slowdown, with an average growth of only 3% during 2014-2019, later worsened by the impact of COVID-19. During the same period, the annual growth rate of Peru's GDP fell from 5.5% to 3.1%, influenced by the drop in international prices of copper and other raw materials, of which the country is a leading producer.

Macroeconomic stability, openness to trade and favourable global conditions enabled Peru to achieve upper-middle-income status, with per capita income more than trebled from US\$ 2,040 in 2002 to US\$ 7,913 in 2023. The country's prudent macroeconomic policies have maintained low public debt, sizable reserves and a highly trusted central bank. Peru has a floating exchange rate, with the central bank making interventions to prevent excessive fluctuations. Additionally, Peru's financial system is strong, with enough capital to withstand potential liquidity crises.

Despite these successes, the nation faces persistent challenges and weaknesses that threaten its progress: climate change, entrenched inequalities and a resource-dependent economic model. Structural issues, including limited formal job creation, stagnant productivity, weak economic diversification and slow poverty and inequality reduction, remain key barriers to further development.

Peru is a signatory of the Paris Agreement and the United Nations Framework Convention on Climate Change. The country has adopted the Sendai Framework for Disaster Risk Reduction and has launched its national adaptation plan.

Key Industries

Peru's economy is powered by key sectors such as mining, agriculture, manufacturing, fishing, tourism and renewable energy, which are strategically important not only for domestic growth but also for international trade and investment. These industries form the foundation of Peru's economy, demonstrating resilience and adaptability in a complex global environment. With continued investment, trade diversification, and environmental management, Peru aims to sustain long-term growth across these sectors.

Agriculture and allied activities

Agriculture plays a crucial role in the Peruvian economy, supporting the employment of 27.4% of the economically active population and contributing around 11% of GDP¹. Peruvian Agriculture is diverse and specialised by region, with exports of products like avocados, asparagus, coffee and cacao helping the country secure a competitive spot in international markets.

Trade agreements with the United States (US), the European Union (EU), and Asia have opened up global market access to Peru's agricultural sector, making it a vital source of rural employment.

Fishing is another important industry of Peru, as the country is a major producer and exporter of fishery products. Key marine resources include anchoveta, prawns, turbot, squid, sea bream, sole, abalone, bonito, hake, mullet, scallops and oysters.

¹ World Bank, World Development Indicator, 2021.

Mining and Hydrocarbons

Peru is home to several of the world's largest mines. It is the world's second largest producer of zinc, third-largest producer of copper and silver, and fourth-largest producer of tin. Peru is home to 12% of the world's copper reserves, 3.9% of gold reserves, 15.3% of silver reserves, 9.5% of zinc reserves, 5.3% of lead reserves and 2.8% of tin reserves².

The mining industry is the backbone of the Peruvian economy, contributing around 9.5% of GDP and around 65% of total exports (mostly metallic minerals). Copper was the leading export metal, in terms of value, followed by gold, zinc, iron, lead, molybdenum, tin and silver.

Peruvian mining comprises three categories, namely large and medium-scale mining, small-scale mining, and artisanal mining. Major mining operations, such as the Antamina and Cerro Verde mines, have significantly contributed to growth, especially in copper production. In 2023, Peru's copper output reached a record high largely due to the ramp-up of Anglo-American's Quellaveco mine, which became operational in late 2022.

The sector witnessed a remarkable recovery in 2024, growing 7.6% due to rising global demand and investments from multinational companies. However, the industry remains vulnerable to fluctuations in global commodity prices, social conflicts, and environmental concerns.

Manufacturing

Peru has a relatively diversified manufacturing industry that is increasingly focusing on value-added production. Major manufacturing sectors include precious metals, non-ferrous metals, non-metallic mineral products, food and beverages, textiles and clothing, and chemicals. While traditional sectors like textiles, apparel and food processing are still dominant, the government is working to attract investment in more technologically advanced industries. The non-primary manufacturing sector, which includes food products, chemicals, and machinery, grew by 3.9% in 2024. A significant part of Peru's textile exports goes to the US and Europe, supported by trade agreements that enhance competitiveness. The government is also introducing tax incentives and establishing innovation hubs to boost industrial growth, with a focus on sustainability and workforce development.

Tourism

Tourism is a growing sector that leverages Peru's rich cultural and natural heritage. The sector recovered from the pandemic-induced downturn and now contributes significantly to GDP and employment. Iconic attractions such as Machu Picchu, Lake Titicaca and the Amazon rainforest draw millions of visitors each year. Adventure tourism, cultural tourism, and gastronomy tourism—centred around Lima's culinary scene—are key attractions. The government is also promoting ecotourism initiatives to preserve natural areas while encouraging sustainable tourism practices.

Renewable Energy

Peru has become an emerging hub for renewable energy, investing heavily in solar, wind, and hydropower projects. The southern regions of Arequipa and Moquegua are ideal for solar power, while hydropower plants contribute a significant portion of the nation's electricity supply. The government is also exploring green hydrogen production, positioning Peru as a potential leader in this growing field. With support from

² Ernest & Young, Peru's Mining and Metal Investment Guide 2024-25, October 2024.

international investors and a favourable regulatory environment, the renewable energy sector is poised for significant expansion.

Macroeconomic Background

Peru is an export-oriented economy, characterised by an attractive business environment and prudent macroeconomic policies. Key strengths of Peru's economy include a low public debt-to-GDP ratio, a substantial pool of foreign exchange reserves, a credible central bank, and a strong and well capitalised financial system that is resilient to liquidity shocks. However, political dysfunction, a vast informal economy, and reliance on a few commodity exports may limit market opportunities and long-term growth. The economy is susceptible to commodity price fluctuations and faces significant risks to climate change due to its exposure to natural hazards and dependence on glacial freshwater. Over half of the population suffers from food insecurity.

Peru has witnessed a decade of low growth (2014-2023), marked by limited progress in creating quality jobs and reducing poverty. This contrasts sharply with the preceding decade (2004-2013), which saw rapid growth and consistent poverty reduction. In 2024, the Peruvian economy recovered from the previous year's recession, with an estimated growth of 3% (**Table 1.1**). The recovery is mainly attributed to dissipating supply shocks, increased business confidence, robust expansion in public investment, gradual easing of monetary conditions, and improved export commodity prices. Growth in 2025 is expected to stem from solid private consumption growth and elevated export values, particularly due to high international copper prices. New investments in the mining sector (Zafranal, Corani, Reposición Antamina, and possibly Tía María) and the opening of the port of Chancay at the end of 2024 are expected to support medium-term growth. Despite modest improvement in business confidence under the current government, policy uncertainty and growing concerns over deteriorating security conditions, along with the upcoming presidential election scheduled in 2026, could hinder a more robust recovery. These factors may constrain private investment and negatively impact domestic demand.

Table 1.1: Macroeconomic Indicators of Peru

Indicator	2019	2020	2021	2022	2023	2024 ^e	2025 ^f	2026 ^f
Real GDP Growth (% change)	2.2	-10.9	13.4	2.7	-0.6	3.0	2.6	2.3
GDP, current prices (US\$ bn)	233.0	206.5	226.4	244.3	266.9	283.3	294.9	306.5
GDP per capita, current prices (US\$)	7,251.7	6,328.1	6,852.5	7,314.2	7,913.0	8,315.9	8,570.4	8,818.6
Inflation (avg, % change)	2.1	1.8	4.0	7.9	6.3	2.5	1.9	2.0
Population (mn)	32.1	32.6	33.0	33.4	33.7	34.1	34.4	34.8
Merchandise exports, FOB (US\$ bn)	45.1	38.8	56.3	63.6	64.4	-	-	-
Merchandise imports, CIF (US\$ bn)	42.4	36.1	51.2	60.3	52.2	-	-	-
General government gross debt (% GDP)	26.9	34.9	36.1	34.0	33.0	34.2	35.3	35.7
Current account balance (US\$ bn)	-1.4	1.9	-4.7	-9.7	2.2	0.8	-0.2	-2.0
Current account balance (% of GDP)	-0.6	0.9	-2.1	-4.0	0.8	0.3	-0.1	-0.6
Total International Reserves (US\$ bn)	66.7	72.8	76.5	70.2	69.0	81.5	81.9	83.0
Exchange Rate (avg; S:US\$)	3.3	3.5	3.9	3.8	3.7	3.8	3.7	3.7

Note:- Not available; ^e- Estimates; ^f- Projections

Source: World Economic Outlook (WEO), IMF, October 2024, Economist Intelligence Unit (EIU) Trade Map, International Trade Centre (ITC), Geneva, and India Exim Bank Research

On the supply side, high copper prices are expected to drive interest in mining investment and sustain export values. However, regulatory hurdles and social unrest related to mining projects may delay new mines construction, slowing mining output growth. At the same time, services activity is expected to benefit from increased private consumption and the ongoing recovery of large-scale tourism.

After a sustained disinflationary trend that started in 2023, inflation remains within the Central Reserve Bank of Peru (Banco Central de Reserva del Perú or BCRP)'s 1-3% target range in most 2024, supported by a decline in international oil and agricultural commodity prices. Currency depreciation, possibly caused by renewed political instability, remains a risk to inflation.

Peru operates with a floating exchange rate, with the Central Bank intervening to prevent excessive fluctuations. The Peruvian sol is anticipated to strengthen in 2025, as copper prices rise and the Fed continues with its monetary-easing cycle, weakening the US dollar. The sol is expected to average S3.7 per US dollar in 2025 compared to an estimated S3.8 per US dollar in 2024.

The current account balance, which was in surplus in 2023 and 2024, is projected to register a deficit of 0.1% of GDP in 2025, reflecting a widening primary income deficit. At the same time, higher copper prices are expected to stimulate a surge in profit remittances, resulting in a higher trade surplus, as high copper prices and a surge in mining export values offset a rise in imports driven by a rebound in domestic demand. The services deficit is expected to narrow slightly, as tourism returns to its pre-pandemic levels.



International Trade and Investments of Peru

Peru promotes trade openness to increasingly integrate itself into the global economy. Peru has been adopting several measures geared at facilitating trade. These included the strengthening of the Single Window for Foreign Trade, measures to improve foreign trade logistics, the simplification of administrative formalities and the establishment of a National Trade Facilitation Committee. The National Strategic Export Plan 2015-2025 (PENX 2025) seeks the internationalisation of Peruvian enterprises, the increase in exports of value-added goods and services and the enhancement of the competitiveness of the export sector. Peru's open investment regime and the increased number of measures adopted to foster private investment have resulted in a significant increase in the country's FDI stock. The country has also provided several incentives to MSMEs to support trade.

Diversification of both products and markets has been a priority for Peru, with a separate strategy of trade promotion and market development for each of the regional trade markets and a special focus on small and medium-sized enterprises.

Peru's Trade Agreements

Peru became a contracting party to the GATT in 1951 and is a founding Member of the World Trade Organization (WTO). 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. Peru is a founding member of the Latin American Integration Association (LAIA), the Andean Community and the Pacific Alliance, and participates actively in the initiatives of the Asia-Pacific Economic Cooperation Forum (APEC).

The Ministry of Foreign Trade and Tourism (MINCETUR), established in 2002, oversees the foreign trade and tourism policies. It sets out and administers the policies of Peru's trade offices abroad and 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.

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

Peru has embraced an ambitious Free Trade Agreement (FTA) strategy to strengthen its global trade relationships, broaden its export base and stimulate economic growth. The country has secured FTAs with major economies, including the US, the European Union, China and Canada, as well as with nations in the Asia-Pacific region. These agreements aim to reduce trade barriers, encourage foreign investment and grant Peruvian goods and services competitive access to international markets.

A key component of Peru's FTA strategy is diversifying its trade partners. FTAs allow Peru to reduce dependence on a few key markets, especially for its raw materials exports. This diversification helps mitigate economic risks tied to fluctuations in demand from specific regions or economic blocs, while opening up opportunities for Peru to expand into new markets with a variety of products, enhancing resilience against economic volatility.

Peru's trade agreements use a negative list approach, where trade partners only list the sectors or sub-sectors that they limit or exclude. All other sectors are open to foreign service suppliers under the same conditions applicable to domestic service suppliers.

Peru's FTAs are also designed to boost its non-traditional export sectors, like agriculture, textiles and manufacturing. While mining remains central to its economy, FTAs have opened up broader markets for other goods, particularly value-added products that support job creation and economic stability. By cultivating these sectors, Peru can build a more balanced economy, benefitting a wider range of industries and helping create a more inclusive growth path.

Additionally, Peru has focused on strengthening ties with Asia-Pacific economies. With FTAs in place with China, Japan, and through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Peru aligns itself with one of the fastest-growing economic regions. These partnerships attract foreign direct investment (FDI), bringing technology, expertise and employment to Peru. In support of these gains, the Peruvian government has enacted economic reforms to improve infrastructure and legal frameworks, creating a stable, competitive environment conducive to sustained growth.

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 February 22, 2017, after being ratified by more than two-thirds of WTO Members. Peru is an active participant in the WTO negotiations on fisheries subsidies and is part of the informal "Friends of Fish" coalition at the WTO, which is lobbying for a significant reduction in fisheries subsidies.

The country has an extensive network of 25 FTAs including economic integration agreements (TLCs & EIAs) in force with 58 trade partners, providing preferential market access and ensuring competitive import prices (**Tables 2.1 and Table 2.2**). In 2012, Peru has executed a Framework Agreement for Economic, Commercial, Technical and Investment Cooperation with the Member States of the Gulf Cooperation Council (covering Saudi Arabia, Bahrain, Kuwait, Qatar, Oman and UAE). This is the first agreement signed by GCC with a South American country. Peru is currently in the midst of negotiations with Turkey, India, El Salvador, and Nicaragua, and it is currently negotiating the optimisation of its trade agreement with China.

Table 2.1: List of Trade Agreements of Peru

Sl. No.	Trade Agreements	Partners	Date of Entry into Force	Coverage
1	Andean Community (CAN)	Bolivia, Colombia, Ecuador, Venezuela and Peru	May 25, 1988	Goods
2	MERCOSUR-Peru Economic Complementation Agreement	Peru and Argentina, Bolivia, Brazil, Paraguay, Uruguay and Venezuela	January 2, 2006	Goods & Services
3	Peru-Cuba Partial Preferential Agreement	Peru and Cuba	March 9, 2001	Goods
4	Peru - Chile FTA	Peru and Chile	March 1, 2009	Goods & Services
5	United States-Peru Free Trade Agreement (PTPA)	Peru and the US	February 1, 2009	Goods & Services
6	Canada - Peru FTA	Peru and Canada	August 1, 2009	Goods & Services
7	Peru - Singapore FTA	Peru and Singapore	August 1, 2009	Goods & Services
8	Peru - China FTA	Peru and China	March 1, 2010	Goods & Services
9	EFTA - Peru	Peru, Liechtenstein, Iceland, Norway and Switzerland	July 1, 2011 for Peru, Liechtenstein and Switzerland; October 1, 2011 for Peru and Iceland; July 1, 2012 for Peru and Norway	Goods
10	Peru - Korea, Republic of FTA	Peru and South Korea	August 1, 2011	Goods & Services
11	Thailand – Peru Closer Economic Partnership Agreement (TPCEP)	Peru and Thailand	December 31, 2011	Goods
12	Peru - Mexico FTA	Peru and Mexico	February 1, 2012	Goods & Services
13	Japan - Peru Economic Partnership Agreement	Peru and Japan	March 1, 2012	Goods & Services
14	Panama - Peru FTA	Peru and Panama	May 1, 2012	Goods & Services
15	EU-Colombia-Peru-Ecuador Trade Agreement	EU 27 Countries and Peru	March 1, 2013	Goods & Services
16	Costa Rica - Peru FTA	Peru and Costa Rica	June 1, 2013	Goods & Services
17	Partial Scope Agreement of a Commercial Nature between Peru and Venezuela	Peru and Venezuela	August 1, 2013	Goods
18	Pacific Alliance	Chile, Colombia, Mexico and Peru	May 1, 2016	Goods & Services
19	Peru - Honduras FTA	Peru and Honduras	January 1, 2017	Goods & Services
20	Peru - Australia FTA	Peru and Australia	February 11, 2020	Goods & Services

Sl. No.	Trade Agreements	Partners	Date of Entry into Force	Coverage
21	UK - Colombia, Ecuador and Peru	Peru and UK	January 1, 2021	Goods & Services
22	Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	Peru and Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Singapore and Vietnam	September 19, 2021	Goods & Services
Other Agreements				
23	Protocol on Trade Negotiations (PTN)	Bangladesh, Brazil, Chile, Egypt, Israel, South Korea, Mexico, Pakistan, Paraguay, Peru, Philippines, Serbia, Tunisia, Turkey, Uruguay	February 11, 1973	Goods
24	Latin American Integration Association (LAIA)	Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela	March 18, 1981	Goods
25	Global System of Trade Preferences among Developing Countries (GSTP)	Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Korea, Democratic People's Republic of Korea, South Korea, Libya, Malaysia, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Singapore, Sri Lanka, Sudan, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Venezuela, Vietnam, Zimbabwe	April 19, 1989	Goods

Source: Ministry of Foreign Trade and Tourism, Peru, WTO and India Exim Bank Research

Additionally, in August 2023, Indonesia and Peru initiated negotiations towards a Comprehensive Economic Partnership Agreement (CEPA). The agreement with Guatemala has been signed and awaits full implementation. Turkey and Peru began negotiations for an FTA in October 2013 and held several rounds of negotiations since then.

As per the WTO, among Peru's FTAs, the lowest average preferential tariffs are applied within the frameworks of the Pacific Alliance, MERCOSUR and the agreements with Canada, the US and Singapore. These are followed by the preferences granted to member countries of the EFTA. In the majority of cases, the average preferential tariff applied to agricultural products is higher than the one applied to non-agricultural products.

Table 2.2: Merchandise Trade of Peru with FTA Partners

Importers	Exports (in US\$ million)			Imports (in US\$ million)		
	2019	2023	% Share in 2023	2019	2023	% Share in 2023
Total	45,135.2	64,355.0	100.0	42,364.0	52,163.9	100.0
Total FTA Partners	40,458.2	58,519.3	90.9	38,892.9	47,898.2	91.8
Argentina	134.5	194.5	0.3	1,769.5	2,663.2	5.1
Australia	87.7	80.3	0.1	113.6	189.4	0.4
Austria	2.7	4.7	0.01	103.3	99.8	0.2
Belgium	494.2	393.4	0.6	180.5	216.0	0.4
Bolivia,	698.8	534.6	0.8	426.9	939.3	1.8
Brazil	1,427.1	1,727.1	2.7	2,429.9	3,744.7	7.2
Brunei Darussalam	0.002	0.02	-	-	0.1	-
Bulgaria	245.2	174.5	0.3	16.0	40.1	0.1
Canada	2,402.0	2,987.6	4.6	681.1	1,213.7	2.3
Chile	1,280.7	1,947.5	3.0	1,339.2	1,326.2	2.5
China	13,159.2	23,155.7	36.0	10,255.2	13,442.6	25.8
Colombia	766.0	821.8	1.3	1,332.3	1,247.5	2.4
Costa Rica	59.8	83.8	0.1	22.8	133.5	0.3
Croatia	0.3	0.8	0.001	1.2	17.6	0.03
Cuba	13.2	12.5	0.02	1.5	1.0	0.002
Cyprus	0.5	0.8	0.001	0.2	0.3	0.001
Czech Republic	2.3	3.2	0.005	56.0	77.7	0.1
Denmark	120.6	49.7	0.1	62.8	71.8	0.1
Ecuador	782.0	1,158.9	1.8	1,281.6	1,184.6	2.3
Estonia	3.0	4.6	0.01	6.3	6.3	0.01
Finland	60.2	214.0	0.3	130.3	115.8	0.2
France	281.6	346.6	0.5	329.1	392.2	0.8
Germany	1,022.7	949.3	1.5	1,132.6	1,144.0	2.2
Greece	15.6	13.8	0.02	20.6	27.5	0.1
Honduras	61.9	67.0	0.1	3.1	6.0	0.01
Hungary	1.1	0.7	0.001	46.4	43.7	0.1
Iceland	1.2	1.8	0.003	0.6	0.7	0.00
Ireland	16.1	20.6	0.03	57.4	76.2	0.1

Importers	Exports (in US\$ million)			Imports (in US\$ million)		
	2019	2023	% Share in 2023	2019	2023	% Share in 2023
Italy	595.8	747.7	1.2	737.7	784.7	1.5
Japan	1,929.3	2,215.4	3.4	1,068.6	1,100.0	2.1
South Korea	2,194.4	2,344.5	3.6	962.2	837.3	1.6
Latvia	2.2	13.5	0.02	8.6	9.8	0.02
Lithuania	6.9	9.8	0.02	10.0	13.2	0.03
Luxembourg	0.0	0.1	0.0002	6.0	2.2	0.004
Malaysia	101.6	245.3	0.4	203.1	223.2	0.4
Malta	0.9	0.4	0.001	0.4	0.7	0.001
Mexico	465.9	868.6	1.3	1,851.3	1,769.8	3.4
Netherlands	1,403.1	1,795.8	2.8	244.9	238.4	0.5
New Zealand	26.7	21.4	0.0	85.8	76.9	0.1
Norway	57.3	43.1	0.1	14.2	28.1	0.1
Panama	475.2	617.9	1.0	26.1	39.9	0.1
Paraguay	13.2	23.2	0.04	157.0	261.2	0.5
Poland	20.8	36.6	0.1	86.5	121.5	0.2
Portugal	44.9	33.9	0.1	58.4	39.8	0.1
Romania	9.4	4.2	0.01	23.8	23.5	0.05
Singapore	14.9	71.4	0.1	69.8	86.8	0.2
Slovakia	0.1	0.3	0.0004	26.5	27.0	0.1
Slovenia	1.3	0.8	0.001	12.9	11.9	0.02
Spain	1,193.6	1,879.9	2.9	890.4	793.3	1.5
Sweden	86.1	124.8	0.2	257.1	265.9	0.5
Switzerland	2,260.8	1,656.3	2.6	172.6	149.0	0.3
Thailand	190.3	148.5	0.2	422.0	452.5	0.9
UK	451.5	1,276.6	2.0	239.3	312.9	0.6
USA	5,551.8	9,180.6	14.3	8,811.5	10,986.5	21.1
Uruguay	41.6	27.4	0.04	148.3	117.2	0.2
Venezuela	37.8	137.6	0.2	6.7	11.8	0.02
Vietnam	140.4	43.9	0.1	491.7	691.7	1.3

Note : - Nil / negligible.

Source: ITC Trade Map and India Exim Bank Research

Merchandise Trade of Peru

Merchandise trade plays a pivotal role in driving Peru's economic growth. Exports, particularly from the mining and agricultural sectors, constitute over 20% of GDP, providing vital foreign exchange reserves and stabilizing the national currency, the sol. Peru often enjoys a trade surplus, supported by high global demand for its minerals, which helps fund essential imports and maintain economic balance. While mining products like copper, gold and zinc dominate exports, there is a growing focus on diversifying into non-traditional sectors such as agriculture, with products like avocados, blueberries, and coffee creating more stable revenue streams.

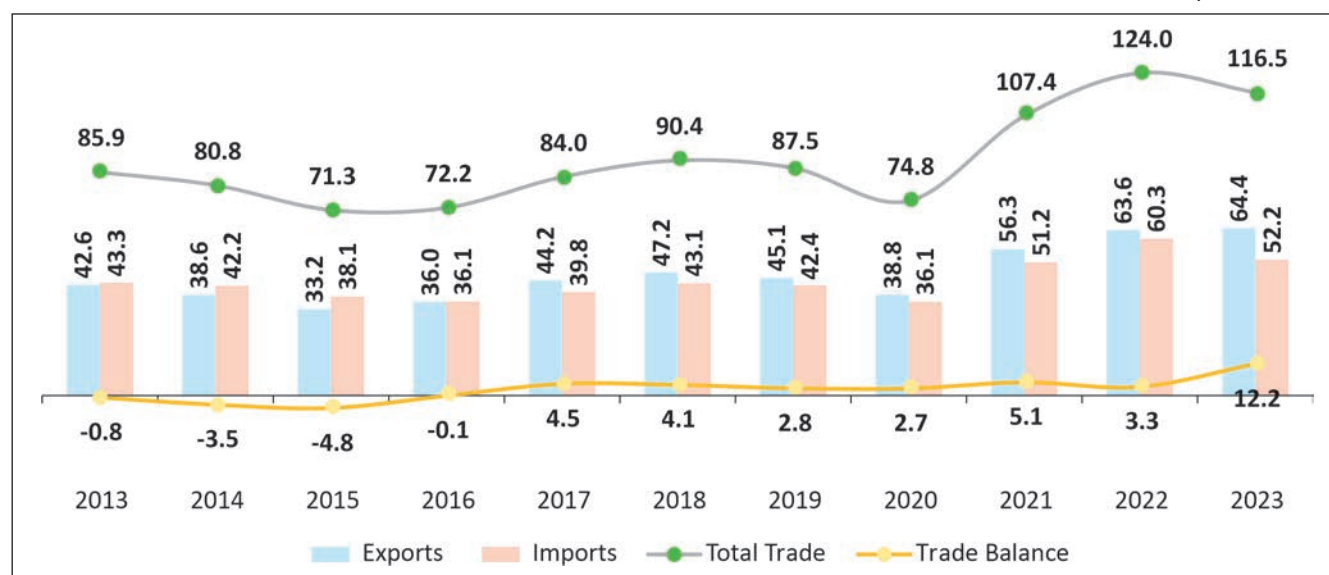
This export-led growth strategy also plays a key role in employment generation. Mining provides thousands of jobs, while non-traditional agricultural exports have boosted employment in rural areas, contributing to poverty reduction and regional development. Trade has not only strengthened Peru's domestic economy but also integrated the country into global markets. Multiple trade agreements with partners like the US, China and the European Union, as well as regional initiatives such as the Pacific Alliance, have ensured broader market access, enabling Peru to enhance its competitiveness and expand export volumes.

However, heavy reliance on commodities exposes Peru to external vulnerabilities. Global price fluctuations, shifts in demand and economic downturns in key markets like China and the US can significantly impact Peru's trade balance. Although the rise of non-traditional exports offers some insulation, the economy remains sensitive to the performance of the mining sector. To ensure sustainable growth, Peru is continuing its efforts to diversify its export base and balance between traditional and non-traditional sectors, minimizing risks associated with external shocks.

A decadal analysis reveals that the global trade of Peru increased from US\$ 85.9 billion in 2013 to US\$ 116.5 billion in 2023, albeit with some moderation due to various external factors including the COVID-19 pandemic. In fact, after reaching a low of US\$ 74.8 billion in 2020, Peru's total trade witnessed a strong recovery from 2021, reaching a new peak of US\$ 124 billion in 2022, before settling at US\$ 116.5 billion in 2023 (**Chart 2.1**). The stable trade aligns with Peru's increasing integration into global supply chains, higher demand for raw materials and diversification towards agricultural exports.

Chart 2.1: International Merchandise Trade of Peru

(US\$ billion)



Source: ITC Trade Map and India Exim Bank Research

While the trends in Peru's exports and imports generally follow the broader patterns of the country's total trade, Peru's exports have consistently outpaced imports since 2017, resulting in a sustained trade surplus. The decline in exports during 2013-2015 mainly reflects to a drop in global commodity prices, particularly in key mineral exports that dominate Peru's trade portfolio. In contrast, the robust recovery of exports after 2020 underscores a resurgence in global demand, particularly for copper, gold and agricultural products, driven by economic reopening post-COVID-19.

Merchandise Exports from Peru: Commodity Analysis

Peru's economy relies heavily on exports, which account for around 25% of its GDP, and maintains a trade policy focused on market liberalisation and FTAs. Peru's exports reflect a mix of natural resources, agricultural products and manufactured goods, making it one of the most diversified exporters in Latin America. Although Peru's range of exports is extensive, the country is primarily an exporter of raw materials, especially minerals.

Ores, slag and ash accounted for 41.9% of Peru's total exports in 2023. The top exported products under this category were copper ores and concentrates (HS 2603), zinc ores and concentrates (HS 2608) and iron ores and concentrates (HS 2601). Other top exported products were pearls, precious stones and metals constituting 13.5% of total exports (mostly gold), followed by edible fruit and nuts (8.5%), mineral fuels and oils (6.8%) and copper and articles (5.6%) (**Table 2.3**). The main non-traditional exports include grapes, avocados, squid, blueberries, asparagus, mangos, t-shirts, cotton apparel, products of wool, fine animal hair and cotton, balanced feed, calcium phosphate, prawns, copper wire, mandarins, bananas and cocoa.

Table 2.3: Major Merchandise Exports of Peru : Commodity-wise

(US\$ billion)

HS Code	Product	2014	2019	2022	2023	% Share in 2023
	Total Exports of Peru	38.6	45.1	63.6	64.4	100.0
26	Ores, slag and ash	10.6	16.6	23.8	26.9	41.9
71	Pearls, precious stones and metals	6.2	7.1	7.8	8.7	13.5
08	Edible fruit and nuts	1.5	3.3	4.7	5.5	8.5
27	Mineral fuels, mineral oils and products	4.8	3.1	6.4	4.4	6.8
74	Copper and articles	2.4	2.0	3.4	3.6	5.6
03	Fish and crustaceans, molluscs	0.8	1.2	1.3	1.4	2.1
23	Residues from the food industries	1.5	1.7	2.1	1.2	1.9
09	Coffee, tea, maté and spices	0.9	0.8	1.5	1.1	1.8
61	Articles of apparel and clothing	1.1	0.9	1.3	1.1	1.7
79	Zinc and articles	0.6	0.8	1.0	0.9	1.3
07	Edible vegetables and certain roots	0.6	0.7	0.7	0.7	1.1
20	Preparations of vegetables, fruit, nuts	0.6	0.6	0.8	0.7	1.1
25	Salt, sulphur, earths and stone	0.4	0.3	0.6	0.7	1.0
80	Tin and articles	0.5	0.4	0.8	0.7	1.0
39	Plastics and articles	0.6	0.5	0.7	0.6	0.9

Source: ITC Trade Map and India Exim Bank Research

Merchandise Imports of Peru: Commodity Analysis

Mineral fuels and oils were the largest items in Peru's import basket, accounting for 17.8% of total imports in 2023, followed by machinery and mechanical appliances (12.9%), vehicles other than railway or tramway (9.3%), electrical machinery and equipment (8.0%) and plastics and articles (4.2%) (**Table 2.4**). At a disaggregated level, the major imported items in 2023 include petroleum oils and oils obtained from bituminous minerals; petroleum gas and other gaseous hydrocarbons; coal; briquettes, ovoids and similar solid fuels manufactured from coal, among others. The main agricultural imports are maize, oil-cake, wheat and soya bean oil.

Table 2.4: Major Merchandise Imports of Peru : Commodity-wise

(US\$ billion)

HS Code	Product	2014	2019	2022	2023	% Share in 2023
	Total Imports of Peru	42.2	42.4	60.3	52.2	100.0
27	Mineral fuels, mineral oils and products	6.0	6.0	11.1	9.3	17.8
84	Machinery and mechanical appliances	6.3	5.6	6.6	6.7	12.9
87	Vehicles other than railway or tramway	4.0	3.9	4.8	4.9	9.3
85	Electrical machinery and equipment	4.6	4.1	4.7	4.2	8.0
39	Plastics and articles	2.2	2.1	3.2	2.2	4.2
72	Iron and steel	1.5	1.5	2.9	1.9	3.7
10	Cereals	1.4	1.5	2.3	1.9	3.7
73	Articles of iron or steel	1.2	1.1	1.2	1.1	2.1
30	Pharmaceutical products	0.7	1.0	1.1	1.1	2.1
38	Miscellaneous chemical products	0.8	0.8	1.2	1.1	2.0
23	Residues and waste from the food industries	0.7	0.7	1.0	1.1	2.0
90	Optical, photographic, cinematographic and medical equipment	0.7	0.8	1.0	1.0	1.8
40	Rubber and articles	0.8	0.8	1.1	0.9	1.8
15	Animal, vegetable or microbial fats	0.5	0.5	0.9	0.7	1.4
31	Fertilisers	0.6	0.6	1.2	0.7	1.4

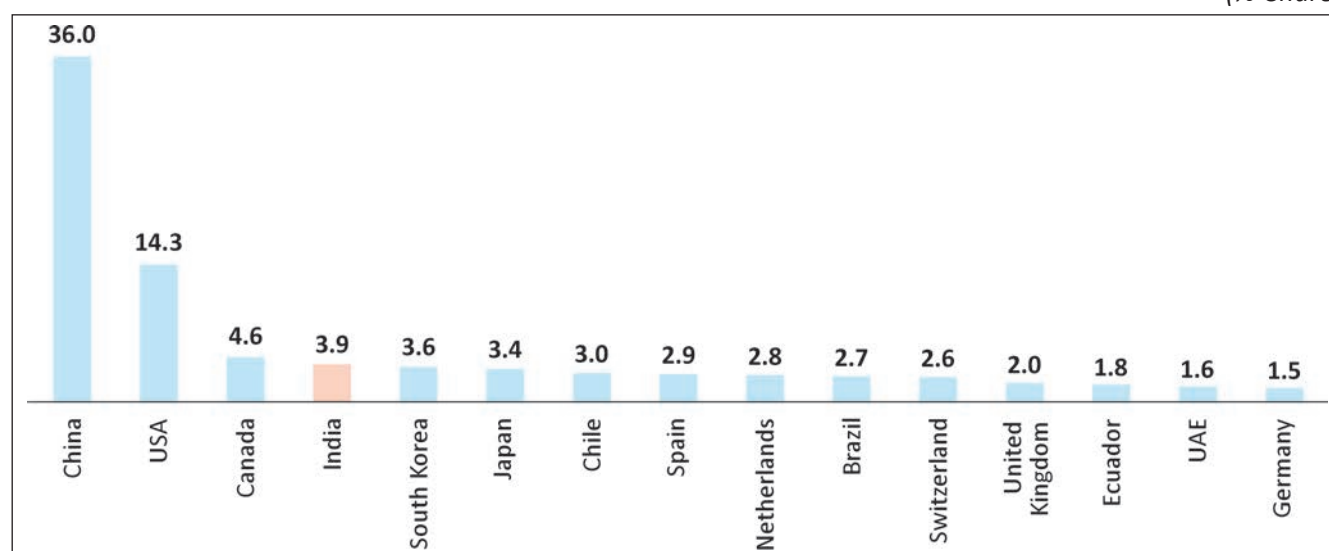
Source: ITC Trade Map and India Exim Bank Research

Major Export Destinations of Peru

Peru's export economy is heavily concentrated in a few key markets, with China leading by a significant margin due to its demand for copper, gold and other minerals (**Chart 2.2**). Other major destinations include the US, which primarily imports agricultural goods, textiles and gold, and Canada, reflecting shared interests in mining and minerals.

Chart 2.2: Major Export Destinations of Peru in 2023

(% Share)



Source: ITC Trade Map and India Exim Bank Research

The country has also expanded trade with Asian economies such as India, South Korea and Japan, underscoring its reliance on the region's industrial demand. In Latin America, Chile, Brazil and Ecuador serve as major regional partners, primarily importing agricultural and manufactured goods. While Europe's share is relatively modest, countries like Spain, the Netherlands and Switzerland import goods such as fishmeal, textiles and coffee.

Table 2.5 highlights the product-wise major markets of Peru for its top exported products.

Table 2.5: Major Export Destinations for Commodities Exported by Peru, 2023

HS Code	Product (Export Value)	Major Export Destinations of Peru	Exports (US\$ million)	% Share in Peru's Exports of Product
	Total Exports of Peru (US\$ 64.4 billion)	China	23,155.7	36.0
		USA	9,180.6	14.3
		Canada	2,987.6	4.6
		India (4th Largest)	2,525.7	3.9
		South Korea	2,344.5	3.6
		Japan	2,215.4	3.4
26	Ores, slag and ash (US\$ 26.9 billion)	China	19,797.9	73.5
		Japan	1,414.5	5.2
		South Korea	1,393.8	5.2
		Spain	795.5	3.0
		Chile	591.7	2.2
		India (8th Largest)	226.7	0.8
71	Pearls, precious stones and metals (US\$ 8.7 billion)	Canada	2,349.1	27.1
		India (2nd Largest)	2,236.3	25.8
		Switzerland	1,643.0	18.9
		USA	1,115.7	12.9
		UAE	1,013.9	11.7
		UK	158.0	2.9
08	Edible fruit and nuts (US\$ 5.5 billion)	USA	2,268.6	41.4
		Netherlands	1,061.5	19.4
		Spain	293.1	5.4
		China	282.4	5.2
		UK	277.8	5.1
		India (44th Largest)	2.6	0.0
27	Mineral fuels and mineral oils (US\$ 4.4 billion)	UK	646.6	14.7
		Brazil	569.6	13.0
		USA	521.6	11.9
		Panama	471.1	10.7
		Japan	460.3	10.5
		India (28th Largest)	7.3	0.2

HS Code	Product (Export Value)	Major Export Destinations of Peru	Exports (US\$ million)	% Share in Peru's Exports of Product
74	Copper and articles (US\$ 3.6 billion)	China	1,179.0	32.8
		USA	931.7	25.9
		Italy	472.2	13.1
		Brazil	370.4	10.3
		South Korea	159.1	4.4
		India (25th Largest)	0.9	0.0
03	Fish and crustaceans (US\$ 1.4 billion)	China	337.0	24.7
		USA	184.8	13.5
		Spain	167.0	12.2
		South Korea	146.4	10.7
		Thailand	69.1	5.1
		India (44th Largest)	1.9	0.1
23	Residues and waste from the food industries (US\$ 1.2 billion)	China	733.5	61.5
		Ecuador	302.9	25.4
		Japan	40.2	3.4
		Germany	31.4	2.6
		Taipei, Chinese	12.7	1.1
		India	-	-
09	Coffee, tea, maté and spices (US\$ 1.1 billion)	USA	356.8	31.2
		Germany	153.2	13.4
		Mexico	82.8	7.2
		Belgium	76.8	6.7
		Netherlands	76.8	6.7
		India (36th Largest)	0.9	0.1

Note: - Nil / negligible.

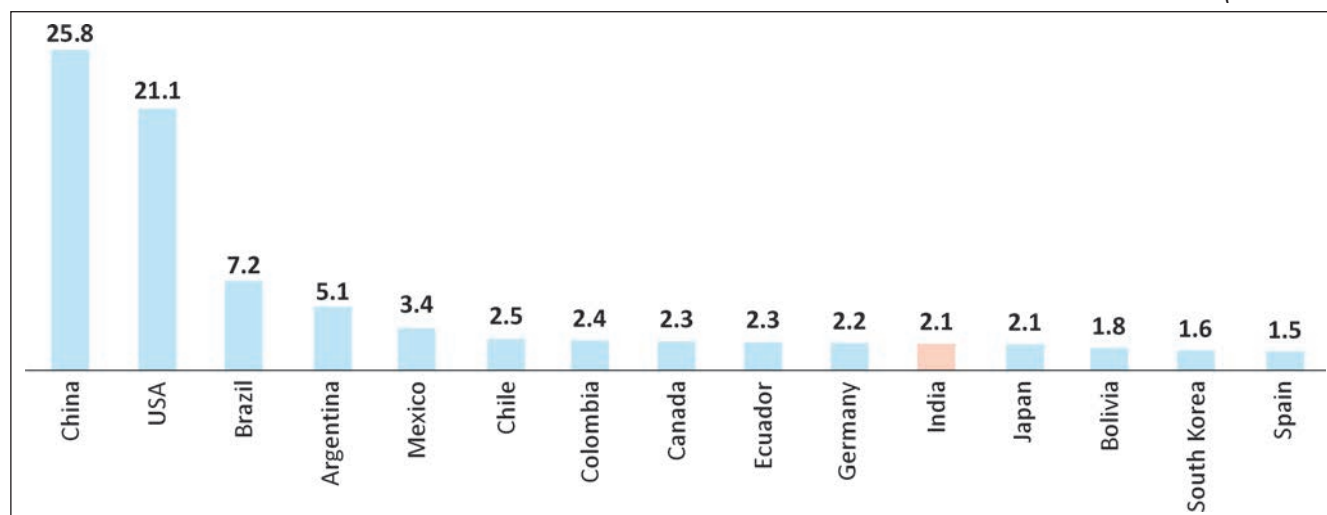
Source: ITC Trade Map and India Exim Bank Research

Major Import Sources of Peru

Chart 2.3 shows Peru's top import sources, highlighting its dependence on a few key partners. Nearly half of Peru's imports are sourced from China and the US. While imports from China are largely dominated by manufactured goods, machinery, and electronics, imports from the US mainly include machinery, medical equipment, vehicles and agricultural products.

Chart 2.3: Major Import Sources of Peru in 2023

(% Share)



Source: ITC Trade Map and India Exim Bank Research

Latin American partners also play a substantial role in Peru's imports. Brazil and Argentina are key sources of food products, chemicals and industrial supplies, while countries like Mexico, Chile and Colombia contribute to regional trade, particularly in manufactured goods and foodstuffs. European partners such as Germany and Spain export machinery and pharmaceuticals to Peru, while India, Japan and South Korea supply specialised products, including automobiles and electronics. This import profile reflects Peru's demand for both capital goods and consumer products, highlighting the importance of global and regional trade integration for meeting its domestic needs.

China, the US and Brazil have been the major sources of almost all commodities imported by Peru in 2023 (**Table 2.6**). India was the sixth-largest import source for vehicles other than railway or tramway and the eighth-largest import source of articles of iron and steel.

Table 2.6: Major Import Sources for Commodities Imported by Peru, 2023

HS Code	Product (Import Value)	Major Import Sources of Peru	Imports (US\$ million)	% Share in Peru's Imports of Product
	Total Imports of Peru (US\$ 52.2 billion)	China	13,442.6	25.8
		USA	10,986.5	21.1
		Brazil	3,744.7	7.2
		Argentina	2,663.2	5.1
		Mexico	1,769.8	3.4
		India (11th Largest)	1,116.6	2.1
27	Mineral fuels, mineral oils (US\$ 9.3 billion)	USA	6,146.5	66.2
		Ecuador	769.6	8.3
		Brazil	702.2	7.6
		Nigeria	484.3	5.2
		Canada	298.0	3.2
		India (21st Largest)	6.5	0.1

HS Code	Product (Import Value)	Major Import Sources of Peru	Imports (US\$ million)	% Share in Peru's Imports of Product
84	Machinery and mechanical appliances (US\$ 6.7 billion)	China	2,191.0	32.6
		USA	992.9	14.8
		Brazil	508.1	7.6
		Italy	360.6	5.4
		Germany	334.3	5.0
		India (13th Largest)	109.5	1.6
87	Vehicles other than railway or tramway (US\$ 4.9 billion)	China	1,315.2	27.1
		Brazil	823.5	17.0
		Argentina	465.8	9.6
		Japan	376.9	7.8
		USA	372.0	7.7
		India (6th Largest)	304.6	6.3
85	Electrical machinery and equipment (US\$ 4.2 billion)	China	2,412.3	57.6
		Viet Nam	329.5	7.9
		USA	271.2	6.5
		Mexico	262.3	6.3
		Brazil	94.8	2.3
		India (11th Largest)	60.0	1.4
39	Plastics and articles (US\$ 2.2 billion)	China	728.0	33.1
		USA	436.8	19.8
		Brazil	149.7	6.8
		South Korea	128.0	5.8
		Colombia	102.0	4.6
		India (15th Largest)	22.2	1.0
72	Iron and steel (US\$ 1.9 billion)	China	849.8	44.4
		USA	268.0	14.0
		Chile	201.7	10.5
		Brazil	169.9	8.9
		Japan	116.2	6.1
		India (9th Largest)	23.8	1.2
10	Cereals (US\$ 1.9 billion)	Argentina	894.7	46.8
		Canada	537.7	28.1
		USA	122.9	6.4
		Paraguay	93.3	4.9
		Russia	67.1	3.5
		India	-	-

HS Code	Product (Import Value)	Major Import Sources of Peru	Imports (US\$ million)	% Share in Peru's Imports of Product
73	Articles of iron or steel (US\$ 1.1 billion)	China	597.4	53.9
		USA	135.5	12.2
		Chile	51.3	4.6
		Ecuador	37.8	3.4
		Italy	32.9	3.0
		India (8th Largest)	20.8	1.9

Note: - Nil / negligible.

Source: ITC Trade Map and India Exim Bank Research

Services Trade of Peru

Peru maintains an open services regime. The services sector of Peru accounted for 54.2% of its total gross value added in 2022, while trade in services accounted for 7.1% of its GDP. Peru adopted specific commitments in seven of the 12 sectors of the General Agreement on Trade in Services (GATS), namely, business services, communications, financial services, tourism and travel-related services, distribution services, recreational and sporting services and transport services. Peru participated in the post-Uruguay Round negotiations on telecommunications (Fourth Protocol to the GATS) and financial services (Fifth Protocol), through which it adopted additional commitments in both sectors. It has also signed the 2005 Protocol amending the Agreement on Trade Related Aspects of Intellectual Property Rights. It has also ratified the WTO Agreement on Trade Facilitation. Measures have been introduced to foster development and competition in the telecommunications sector. Peru has also lifted restrictions on maritime cabotage and developments in civil aviation.

Peru abides by the rules of the Andean Community (CAN) on free trade in services, which follow national treatment and most-favoured nation (MFN) principles and apply in principle to all CAN members and all service sub-sectors. There are exceptions, however, such as those concerning financial services and the minimum percentages of nationally produced programmes on over-the-air television.

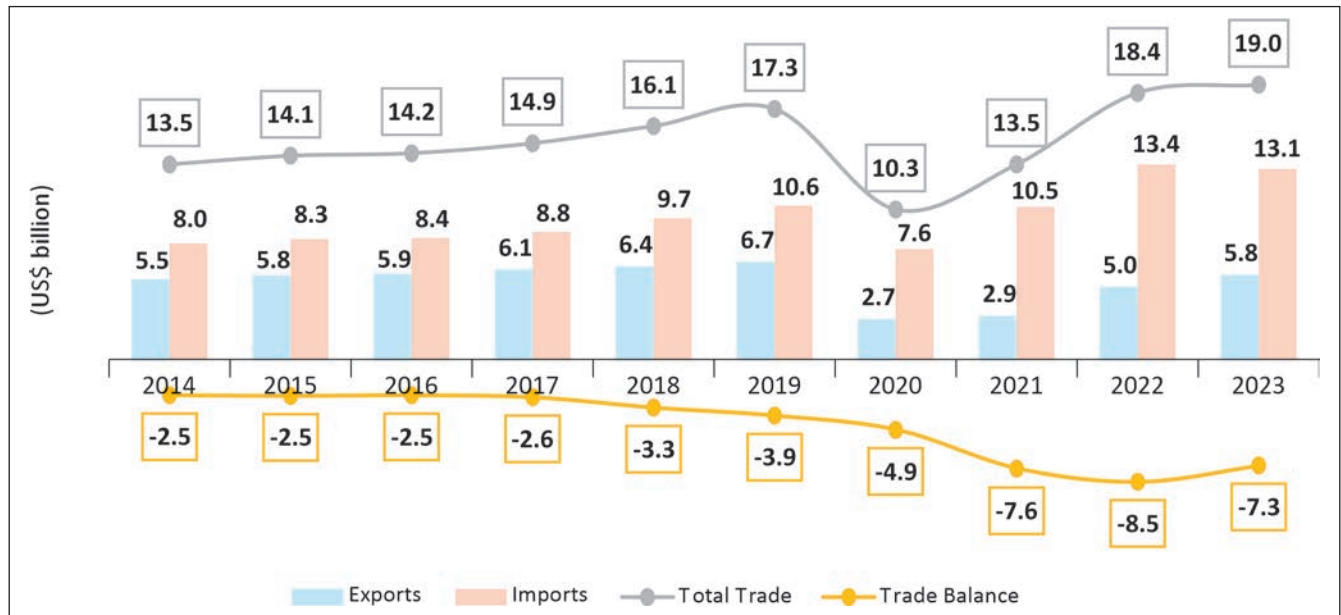
Most of the bilateral and regional trade agreements signed by Peru contain provisions on financial services, telecommunications, maritime, land and air transport support services, among others. The commitments made by Peru under these agreements are varied in scope but generally go beyond those made under the GATS.

Services Exports of Peru

Peru's services exports peaked at US\$ 6.7 billion in 2019 but declined during the pandemic years mainly due to lower travel and transport-related exports. Services exports recovered in 2021 and increased steadily thereafter, reaching US\$ 5.8 billion in 2023 (**Chart 2.4**).

Services imports have grown from US\$ 8 billion in 2014 to US\$ 13.1 billion in 2023, with the imports value surpassing that of exports throughout the decade. Significant import growth resulted in a widening of services trade deficit from US\$ 2.5 billion in 2014 to US\$ 7.3 billion in 2023.

Chart 2.4: International Services Trade of Peru



Source: WTO and India Exim Bank Research

Services Exports of Peru: Sectoral and Direction Analysis

Services exports of Peru are dominated by travel and transport services, which together account for over 77% of Peru's services exports, followed by professional and management consulting services (**Table 2.7**). According to the WTO, around 92% of Peru's external trade is through sea routes, and almost the entire international maritime transport service is provided by foreign shipping companies. Tourism is one of the country's key industries for generating employment and foreign exchange.

Table 2.7: Services Exports of Peru

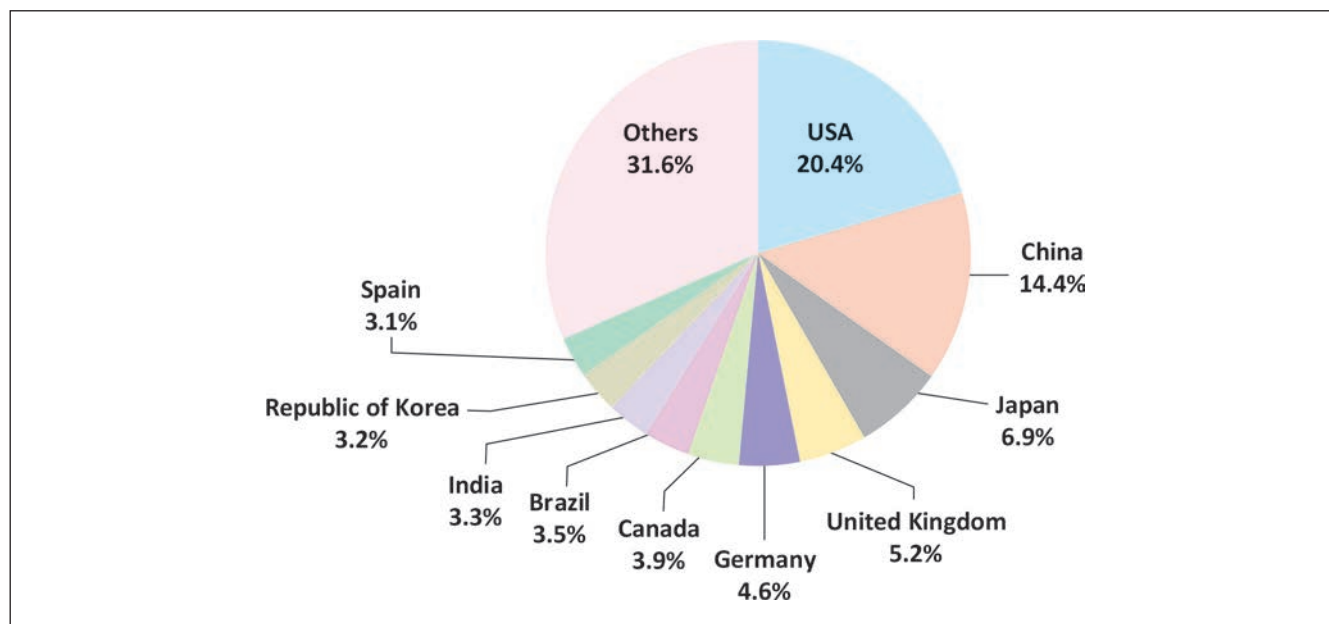
(US\$ million)

Product / Service	2019	2020	2021	2022	2023	% Share in 2023
Total Services Exports of Peru	6,696	2,726	2,947	4,962	5,808	100.0
Government goods and services	169	172	176	179	183	3.2
Commercial services	6,527	2,554	2,771	4,783	5,626	96.9
Transport	1,707	807	1,086	1,586	1,789	30.8
Travel	3,738	776	688	2,137	2,711	46.7
Other commercial services	1,082	971	998	1,060	1,126	19.4
Telecommunications, computer, and information services	113	105	115	121	131	2.3
Other business services	774	635	614	641	667	11.5
Professional and management consulting services	774	635	614	641	667	11.5
Personal, cultural, and recreational services	12	10	12	13	14	0.2

Source: WTO Database and India Exim Bank Research

Chart 2.5 shows major services export destinations of Peru in 2023 based on the Balanced Trade in Services (BaTIS) dataset jointly developed by the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organisation (WTO)³. The top five destinations include the US, China, Japan, UK and Germany, accounting for more than 51% of Peru’s services exports. India was the 8th largest services export destination, accounting for 3.3% of Peru’s services exports in 2023.

Chart 2.5: Peru’s Major Services Export Destinations in 2023



Source: WTO - OECD Balanced International Trade in Services EBOPS 2010

Services Imports of Peru: Sectoral and Direction Analysis

Services imports of Peru remain well diversified dominated by transport services accounting for around two-thirds of imports, followed by travel, other business services and telecommunication and computer services (**Table 2.8**). In the case of Peru, other business services imports mainly consist of professional and management consulting services. Besides these, Peru also imports insurance and pension services, charges for use of intellectual property and financial services.

³ BaTIS is considered to be a relatively complete, consistent and balanced database for bilateral services trade data. At present, only about 63% of world trade in services is bilaterally specified, and the percentage is even lower for the individual service categories. BaTIS contains annual bilateral data covering 202 reporters and partners, broken down by the 12 main EBOPS2010 (BPM6) categories. BaTIS is the result of joint efforts by the OECD and WTO. The OECD-WTO methodology leverages all available official statistics and combines them with estimations and adjustments to provide users with a complete matrix covering virtually all economies in the world. To resolve the asymmetries between reported and mirror flows, exports and imports are reconciled by calculating a symmetry-index weighted average between the two, following a similar approach to that developed for international merchandise trade statistics.

Table 2.8: Services Imports of Peru

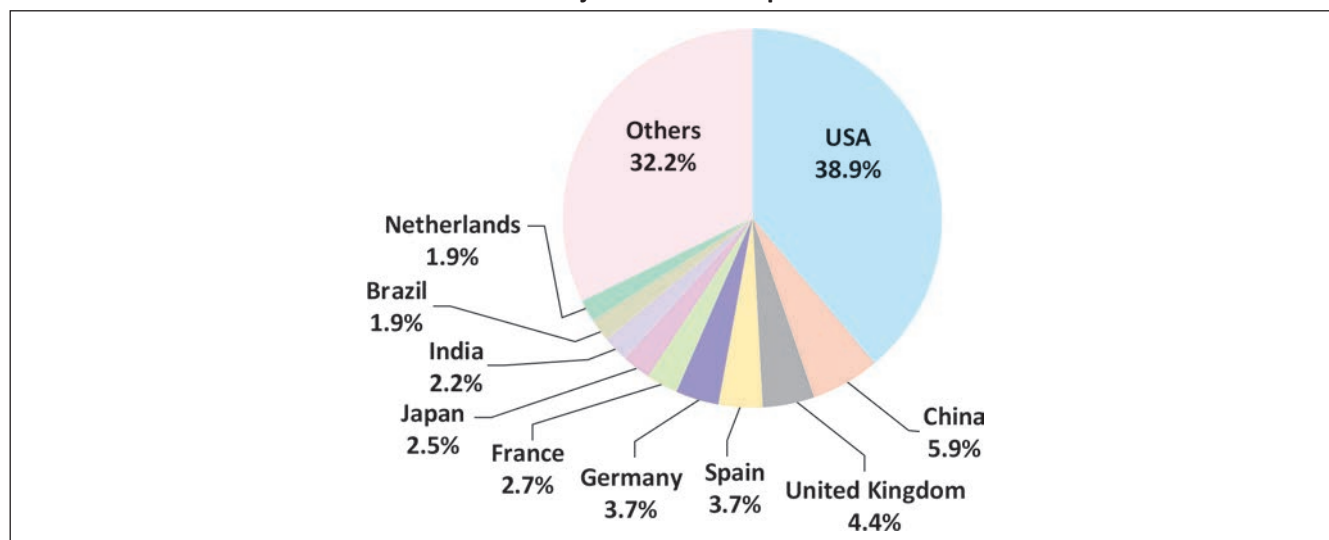
(US\$ million)

Product/Sector	2019	2020	2021	2022	2023	% Share in 2023
Total Services Imports of Peru	10,592	7,606	10,510	13,440	13,149	100.0
Government goods and services	182	186	190	193	197	1.5
Commercial services	10,410	7,421	10,321	13,247	12,953	98.5
Transport	3,231	2,581	4,809	6,310	4,370	33.2
Travel	2,765	733	1,149	2,345	3,251	24.7
Other commercial services	4,409	4,102	4,357	4,588	5,326	40.5
Insurance and pension services	534	581	716	913	1,113	8.5
Financial services	400	292	201	223	285	2.2
Charges for the use of intellectual property	419	460	506	522	591	4.5
Telecommunications, computer and information services	836	837	1,078	1,063	1,418	10.8
Other business services	2,186	1,904	1,828	1,837	1,888	14.4
Professional and management consulting services	2,186	1,904	1,828	1,837	1,888	14.4
Personal, cultural, and recreational services	34	28	29	30	31	0.2

Source: WTO Database and India Exim Bank Research

Chart 2.6 shows major services import sources of Peru in 2023 based on BaTIS dataset. The top five destinations including the US, China, UK, Spain and Germany accounted for more than 56% of Peru's services imports. India was the 8th largest import source, accounting for 2.2% of Peru's services imports in 2023.

Chart 2.6: Peru's Major Services Import Sources in 2023



Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

Foreign Direct Investment Scenario of Peru

Foreign Direct Investment (FDI) has the potential to bring enormous benefits to the recipient country. Establishment of industries in a country enhances the competition and productivity in the domestic market.

Peru recognises the crucial role played by FDI in enabling an investment-friendly environment and aims to attract both foreign and domestic investment across nearly all sectors. The country prioritises public-private partnership projects in areas such as transportation infrastructure, energy, telecommunications, ports, health, education, water and sanitation, among others.

Peru's 1993 constitution grants national treatment for foreign investors and permits foreign investment in almost all economic sectors. Under the constitution, foreign investors have the same rights as national investors to benefit from investment incentives, including tax exemptions. In addition to the constitutional provisions, Peru has several laws governing FDI including the Foreign Investment Promotion Law (Legislative Decree (DL) 662 of September 1991) and the Framework Law for Private Investment Growth (DL 757 of November 1991). Other relevant laws include the Private Investment in State-Owned Enterprises Promotion Law (DL 674) and the Private Investment in Public Services Infrastructure Promotion Law (DL 758). Article 6 of Supreme Decree No. 162-92-EF (the implementing regulations of DLs 662 and 757) authorised private investment in all industries except within natural protected areas and weapons manufacturing.

Peru's investment promotion agency viz. ProInversion, created in 2002 manages concessions and privatisations of state-owned enterprises. The agency currently focuses on private concessions in the energy, education, transportation, health, sanitation and telecommunication sectors, and organises international roadshow events to attract investors. The agency also manages the Works for Taxes (Obras por Impuestos) program, a private investment mechanism that allows companies to invest in public investment projects and deduct that amount from their income taxes. Under this model, companies select projects from a list provided by the government, invest in the construction and completion of the work, and once approved by the authorities, offset their tax liabilities accordingly. This program has been particularly beneficial for accelerating infrastructure projects in regions that face challenges in securing traditional public funding, allowing for quicker improvements in local services and economic growth. Foreign companies are required to register all investments with ProInversion.

Peru's 2022-2025 National Sustainable Infrastructure Plan for Competitiveness (PNISC) highlighted 72 priority infrastructure projects aimed at addressing the country's estimated US\$ 110 billion infrastructure gap. Notable ongoing projects include the construction of Lima metro lines, the expansion of Jorge Chavez International Airport in Lima and several energy initiatives. Investors have noted that energy projects in Peru tend to progress more rapidly compared to transportation and agricultural projects, which often face delays.

Although Peru has generally favoured private investment since the 1990s, some government policies occasionally challenge the country's traditionally open and free-market stance. For instance, in December 2011, Peru enacted a 10-year moratorium on the cultivation of live genetically modified organisms (GMOs). This moratorium was extended for an additional 15 years in December 2020.

Peru's constitution (Article 6 under Supreme Decree No. 162-92-EF) authorises foreign investors to carry out economic activity, provided that investors comply with all constitutional precepts, laws and treaties. Investment exclusions exist, including foreign investment activities in natural protected reserves and weapons manufacturing. Peruvian law requires majority Peruvian ownership in media, air, land and maritime transportation infrastructure and private security surveillance services. Foreign interests cannot acquire or possess under any title, mines, lands, forests, waters or fuel or energy sources within 50 kilometres of Peru's international borders, subject to certain exceptions based upon public need. Peru does not screen, review or approve FDI apart from those sectors that require a governmental waiver.

Special Economic Zones in Peru

Special Economic Zones (SEZs) are spaces located in the national territory that constitute an important tool for attracting private investment. They have special and flexible tax and customs regulations that are different from the rest of the country, which provides benefits to national and foreign investors. Their objectives are to improve the prosperity of the region in which they are located, reduce logistical barriers, stimulate the economy, reduce the unemployment rate, and promote the expansion of infrastructure and the development of new technology.

There are currently 4 SEZs in operation in Peru⁴: Zofratacna (Tacna), Zed Paita (Piura), Zed Ilo (Moquegua) and Zed Matarani (Arequipa).

Benefits

A natural person or legal entity can become a user of a SEZ through a public auction, thus allowing the investor to access tax benefits and customs advantages different from those of other companies. This promotes the facilitation of procedures for the entry, stay and exit of goods, as well as the exemption of certain taxes in the development of activities permitted by law. Benefits include:

Taxes

- Exemption from Income Tax (29.5% outside the SEZ)
- Exemption from the General Sales Tax (16% outside the SEZ)
- Exemption from the Municipal Promotion Tax (2% outside the SEZ)
- Exemption from Selective Consumption Tax (varies between 2% and 30% outside the SEZ depending on the product)
- Exemption from the Ad Valorem Tariff when importing goods from abroad (0%, 6% and 11% outside the SEZ)
- Exemption from all taxes levied by the Central, Regional or Municipal Government to be created, except for contributions to EsSalud (Social Health Insurance) and fees.

Custom Benefits

- The entry of machinery, equipment, raw materials and supplies from abroad benefits from the suspension of payment of import duties and taxes.
- Indefinite permanence of goods within the SEZ, as long as the user status is maintained.
- Products manufactured in the SEZ can be exported directly without having to undergo a customs nationalisation regime.
- Products manufactured in the SEZ may be brought into the national territory under international agreements and conventions.
- The entry of goods into the SEZs is direct and does not require prior storage.

Foreign Direct Investment in Peru

According to UNCTAD's World Investment Report 2024, FDI inflows into Peru fell significantly in 2023 to US\$ 3.3 billion from US\$ 12 billion in 2022. The stock of FDI was, however, estimated to be higher at

⁴ <https://www.gob.pe/7868-ministerio-de-comercio-exterior-y-turismo-zonas-economicas-especiales-zee>

US\$ 132.5 billion in 2023 compared to US\$ 129.2 billion in 2022. FDI outflows from Peru, on the other hand, more than trebled in 2023 to reach US\$ 889 million from US\$ 237 million in 2022. The stock of outward FDI stood at US\$ 10.9 billion as of 2023, up from US\$ 10.1 billion in 2022 (**Table 2.9**).

Table 2.9: FDI in Peru

(US\$ million)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Inward FDI Flows	4,537	8206	6,459	6,530	6,761	6,362	-825	6,272	12,026	3,331
Outward FDI Flows	1,111	207	1180	538	98	1,087	392	1,098	237	889
Inward FDI Stock	78,643	86,850	93,308	99,839	106,600	112,859	111,671	117,031	129,221	132,546
Outward FDI Stock	7,754	7,064	8,915	10,012	10,155	10,754	10,391	9,886	10,124	10,885

Source: UNCTADStat and India Exim Bank Research

To get a meaningful understanding of the trends in Peru's overseas investments, this study has drawn upon the data collated by the Financial Times through its online database tracking cross-border greenfield investment, viz. fDi Markets⁵. According to Financial Times' fDi Markets, from January 2014 to December 2023, Peru received a total envisaged FDI capital expenditure of US\$ 38.3 billion from 631 projects (**Table 2.10**).

Table 2.10: Envisaged FDI Inflows in Peru, 2014-2023

Year	Capital Expenditure (US\$ million)	No. of Projects	No. of Companies Invested
2014	4,801.0	67	62
2015	827.7	45	42
2016	2,887.0	62	55
2017	3,987.8	58	51
2018	6,357.3	105	88
2019	12,308.1	92	78
2020	1,725.7	43	34
2021	2,304.3	60	55
2022	1,325.6	50	43
2023	1,774.8	49	43
Total	38,299.3	631	452

Source: fDi Markets online database and India Exim Bank Research

As shown in **Table 2.11**, maximum envisaged FDI capital expenditure in Peru was recorded from Mexico, accounting for 23.6% of total capital expenditure invested in the country during the period of January 2014 to December 2023. China was the second-largest investor with a share of 22.1%, followed by Spain (11.1% of total investment), Chile (8.7%) and the US (7.9%). The fDi Markets database shows no record of India's investments in Peru during the period covered.

⁵ fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time and can channel their investment through different countries for tax efficiency.

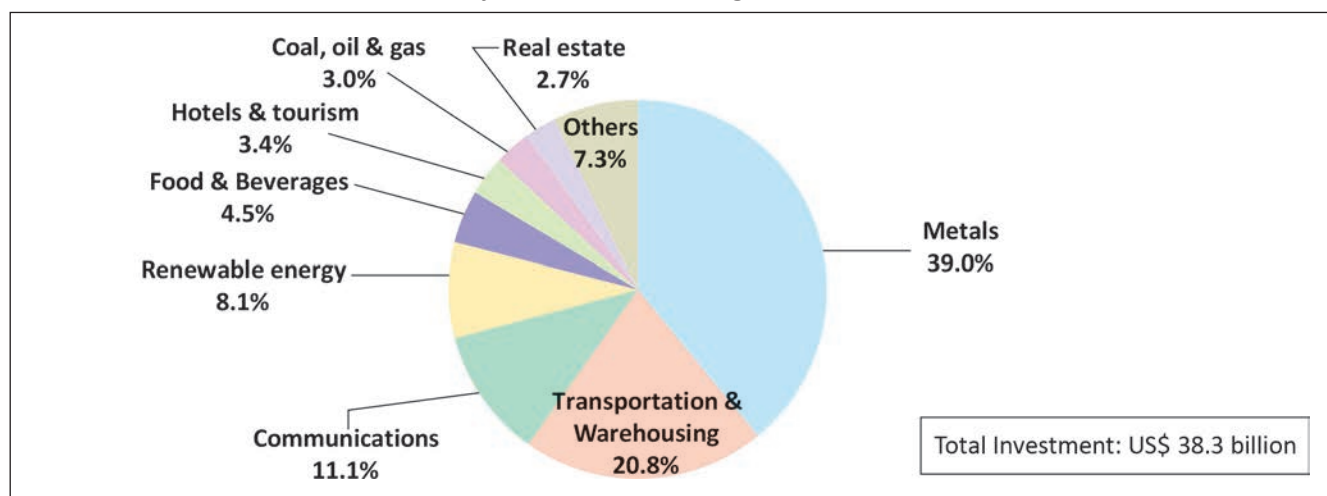
Table 2.11: Major Investors in Peru, 2014-2023

Source Country	Capital Expenditure (US\$ million)	No. of Projects	No. of Companies Invested
FDI Capex in Peru	38,299.3	631	452
Mexico	9,056.3	28	19
China	8,446.0	22	17
Spain	4,265.2	118	91
Chile	3,322.3	77	44
USA	3,007.4	116	89
Canada	1,620.1	16	9
UAE	1,567.5	7	4
Brazil	742.7	16	12
Argentina	716.9	23	21
Germany	637.2	34	23
Colombia	625.5	19	15
UK	612	22	16
Italy	577.8	12	8
Bolivia	411.6	4	2
Denmark	379.1	6	5

Source: fDi Markets online database and India Exim Bank Research

The metals sector received the maximum envisaged FDI capital expenditure in Peru of US\$ 15 billion, accounting for 39% of the total envisaged FDI inflows received during the period January 2014 to December 2023 (**Chart 2.7**). This was followed by investments in transportation and warehousing (US\$ 8 billion), communications (US\$ 4.2 billion), renewable energy (US\$ 3.1 billion), food and beverages (US\$ 1.7 billion), hotels and tourism (US\$ 1.3 billion), coal, oil and gas (US\$ 1.2 billion) and real estate (US\$ 1.1 billion). Maximum number of projects were in textiles (111 projects), followed by software and IT services (62 projects) and consumer products (53 projects).

Chart 2.7: Major Sectors Attracting FDI in Peru, 2014-2023



Source: fDi Markets online database and India Exim Bank Research

A total envisaged outward FDI capital expenditure of US\$ 2.8 billion was made by Peru investors in 126 projects, from January 2014 to December 2023 (**Table 2.12**). FDI outflows from Peru which stood at US\$ 661.2 million in 2014, fell below US\$ 100 million levels in 2016 and 2017. FDI outflows recovered to reach US\$ 304.6 million in 2018. Thereafter, FDI outflows witnessed a moderation, partly reflecting a setback from the coronavirus pandemic, settling at US\$ 131 million in 2022. In 2023, the economy witnessed significant FDI outflows, amounting to US\$ 481.1 million through 17 projects.

Table 2.12: Envisaged FDI Outflows from Peru, 2014-2023

Year	Capital Expenditure (US\$ million)	No. of Projects	No. of Companies Invested
2014	661.2	14	10
2015	414.8	11	5
2016	97.6	5	4
2017	88.1	4	2
2018	304.6	18	11
2019	236.3	23	10
2020	107.6	8	8
2021	288.2	13	9
2022	131.0	13	11
2023	481.1	17	12
Total	2,810.4	126	70

Source: fDi Markets online database and India Exim Bank Research

Guatemala was the largest recipient of envisaged FDI capital expenditure from Peru, with an envisaged investment of US\$ 418.7 million during 2014-2023 (**Table 2.13**). Guatemala was followed by Ecuador (US\$ 390.8 million), the US (US\$ 367.6 million), Bolivia (US\$ 353.1 million) and Colombia (US\$ 250 million). India was the 12th largest destination for envisaged investment flowing from Peru during this period, amounting to US\$ 64.1 million.

Table 2.13: Major Investment Destinations of Peru, 2014-2023

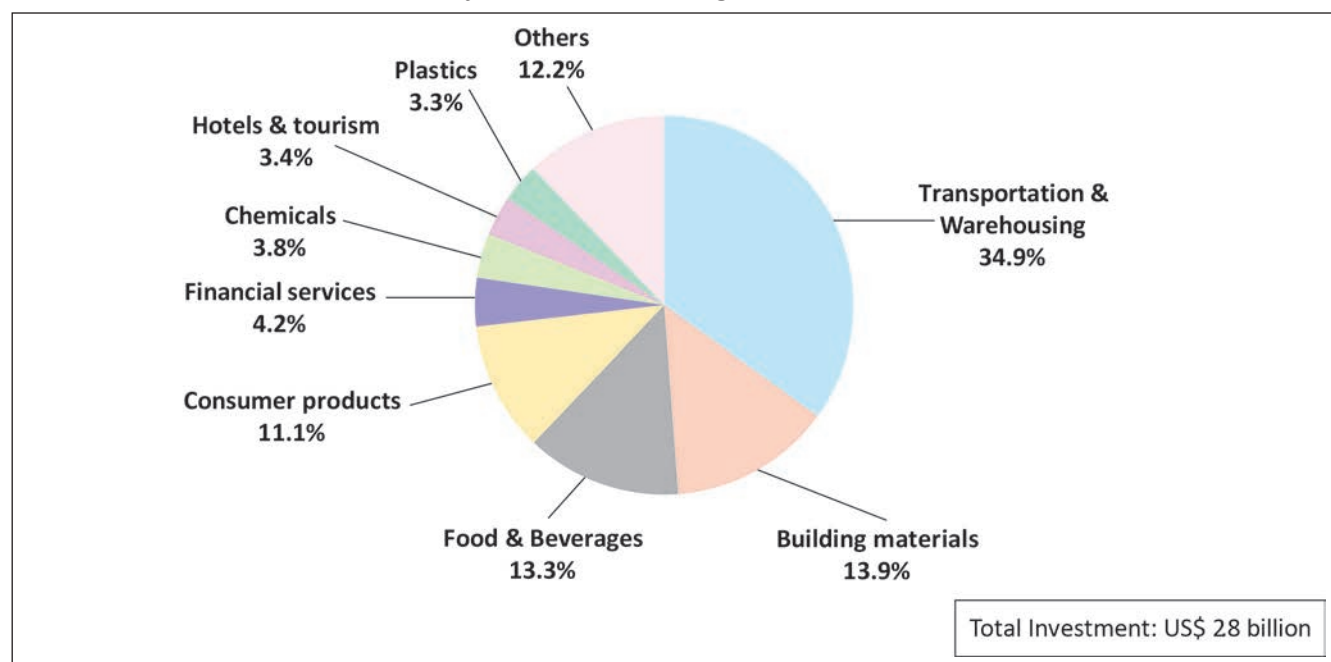
Destination Country	Capital Expenditure (US\$ million)	No. of Projects	No. of Companies Invested
FDI Capex from Peru	2,810.4	126	70
Guatemala	418.7	4	2
Ecuador	390.8	10	10
USA	367.6	13	12
Bolivia	353.1	7	6
Colombia	250	21	14
Chile	186.7	13	10
Argentina	179.4	6	3
Mexico	150.6	10	9

Destination Country	Capital Expenditure (US\$ million)	No. of Projects	No. of Companies Invested
Dominican Republic	104.2	3	2
Costa Rica	100	4	3
Brazil	82.3	6	6
India	64.1	1	1
Spain	52.7	10	9
El Salvador	48.0	3	2
Panama	26.8	4	4

Source: fDi Markets online database and India Exim Bank Research

The transportation and warehousing sector accounted for 34.9% of the envisaged investment flowing out of Peru, amounting to US\$ 981.9 million during 2014-2023 (**Chart 2.8**). Other major sectors attracting FDI capex were building materials (US\$ 390 million), food & beverages (US\$ 373.3 million), consumer products (US\$ 311.1 million), financial services (US\$ 116.7 million), chemicals (US\$ 106.6 million) and hotels & tourism (US\$ 95.6 million).

Chart 2.8: Major Sectors Attracting FDI from Peru, 2014-2023



Source: fDi Markets online database and India Exim Bank Research

Peru maintains a regime open to domestic and foreign private investment that promotes competition and equality of treatment. Foreign investment does not require prior authorisation and need not be registered. Foreign investors are guaranteed free repatriation, in freely convertible foreign exchange, of the entirety of their capital, dividends or profits from their investment, after payment of the statutory taxes. Expropriation is authorised only on grounds of national security or public necessity and against payment of compensation that must include possible damages. The property value set by the Government in expropriation proceedings may be challenged before the courts.

Very few activities are subject to foreign investment restrictions. These include the acquisition of property at the country's borders, and domestic air transport and broadcasting services. Domestic commercial aviation is reserved for Peruvian natural and legal persons. In order to be considered a Peruvian legal person, at least 51% of the company's equity must be Peruvian-owned and under the real and effective control of shareholders or partners of Peruvian nationality who are permanently domiciled in Peru. In the case of broadcasting services, foreign participation in enterprises providing such services cannot exceed 40% of the total holdings, equity shares or number of partners. A foreigner cannot own a broadcasting service either directly or through a one-person business.

The Peruvian legislation allows national and foreign investors who invest in infrastructure works, public services and economic activities such as mining, the possibility of signing legal stability contracts with the Government covering the duration of their investment. These agreements guarantee investors stability for the regulations governing non-discriminatory treatment, income tax treatment, the right to use the most favourable market exchange rate, the guarantee of free availability of foreign exchange and the freedom to remit profits, dividends and royalties.

Investment Agreements

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 32 agreements on the reciprocal promotion and protection of investment with the following countries - Argentina, Australia, Belgium-Luxembourg Economic Union, Bolivia, Canada, Chile, China, Colombia, Cuba, Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Italy, Japan, Korea, Malaysia, the Netherlands, Norway, Paraguay, Portugal, Romania, Singapore, Spain, Sweden, Switzerland, Thailand, UK and Venezuela.

The main standards of treatment and protection included in these agreements are the right to a minimum level of treatment in accordance with customary international law; national treatment; compensation in case of expropriation; free transfer of income; most-favoured-nation treatment and access (but not automatic referral) to international arbitration in the event of a dispute.

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 chapter 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), South Korea (2011), Mexico (2012), the Pacific Alliance (Chile-Colombia-Mexico-Peru) (2016), Panama (2012), Singapore (2009) and the US (2009). The investment chapter usually contains provisions on inter alia pre-establishment, performance requirements, national treatment, including in cases of conflict or civil unrest, settlement of disputes between investors and the State, and corporate social responsibility, as well as an annex on the adoption of temporary measures in the case of external financial difficulties.

Peru has signed agreements with Brazil, Canada, Chile, Japan, Mexico, Portugal, South Korea and Switzerland to prevent double taxation and tax evasion and has also signed Decision No. 578 of the Andean Community (Bolivia, Colombia and Ecuador) and the Pacific Alliance (Chile, Colombia and Mexico). Peru has also signed bilateral taxation treaties with Spain and Thailand, but these have not been ratified by the Peruvian Congress.

The negotiation with the UK has also been successfully concluded. There are also negotiations underway with Qatar, UAE, the Netherlands, Italy, France and Sweden.

Peru is a member of the International Centre for Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA). Peru also participates in the OECD Investment Committee as an observer, in order to pursue efforts aimed at improving the climate for investment. Peru has implemented international standards on taxation promoted by the OECD. Peru is a member of the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and is party to BEPS's October 2021 agreement on the two-pillar solution to global tax challenges, including a global minimum corporate tax.



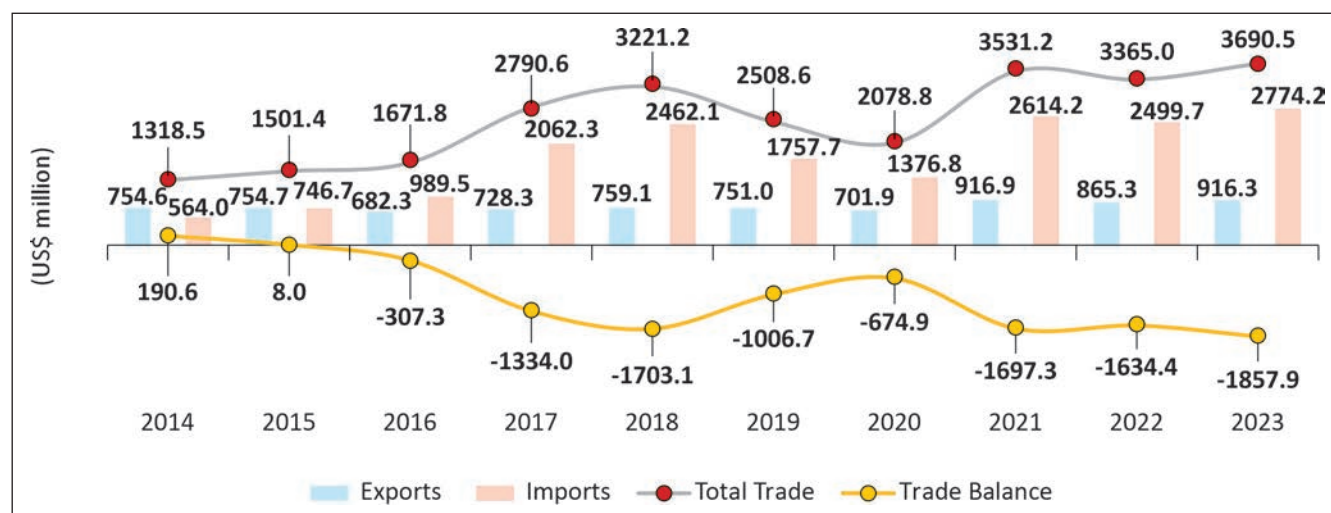
India-Peru: Bilateral Trade and Investment Relations

India and Peru maintain strong economic relations, characterized by expanding bilateral trade, investments and cooperation across various sectors. The multifaceted bilateral cooperation covers a range of areas, including education, customs, healthcare, pharmaceuticals, energy, mining, textiles, agriculture, science and technology, defense, space, information and communication technology, capacity building, people to people contact and culture. In 2023, India and Peru celebrated the 60th anniversary of the establishment of diplomatic relations. India-Peru relations have traditionally been cordial and friendly. Since the early 2000s, the relationship has acquired more economic and business content leading to a Joint Study on Feasibility of a Trade Agreement.

Bilateral Merchandise Trade between India and Peru

According to the 2023 trade data published by the International Trade Centre (ITC), India is Peru's fourth-largest export destination, after China, the US, and Canada. At the same time, India is the 11th largest source of imports for Peru, with China and the US holding the top two positions. **Chart 3.1** outlines the trends in bilateral trade between India and Peru over a decade. Since 2016, bilateral trade has been dominated by India's imports from Peru, which comprise 75.2% of the total trade in 2023. Due to this imbalance, India's trade balance with Peru has been in deficit since then, with the trade deficit widening from US\$ 307.3 million in 2016 to US\$ 1.9 billion in 2023.

Chart 3.1: Bilateral Merchandise Trade between India and Peru



Source: ITC Trade Map and India Exim Bank Research

India's imports from Peru witnessed a significant jump in 2021 increasing to US\$ 2.6 billion from US\$ 1.4 billion the previous year, eventually touching US\$ 2.8 billion by 2023. India's import demand from Peru was mainly driven by gold, including gold plated with platinum, unwrought or not further worked than semi-manufacture (HS-7108), copper ores and concentrates (HS-2603), silver, incl. silver plated with gold or platinum (HS-7106), and ferrous waste and scraps (HS-7204), among others. Export levels, however, have remained low at a decadal average of US\$ 783 million.

India's Merchandise Exports to Peru

India's exports to Peru witnessed a moderate increase over the past decade (**Table 3.1**). India's exports to Peru rose from US\$ 754.6 million in 2014 to US\$ 916.3 million in 2023. In 2023, vehicles other than railway or tramway (HS 87) accounted for the largest share of 30.8%, amounting to US\$ 282.4 million, followed by cotton, pharmaceutical products, and machinery and mechanical appliances. Notably, the top 15 export commodities made up 87% of India's total exports to Peru in 2023.

At a disaggregated level, India's major exported products to Peru in 2023 included motor cars and motor vehicles, medicaments, cotton yarn, motorcycles and smartphones.

Table 3.1: India's Major Exports to Peru: Commodity-wise

(US\$ million)

HS Code	Products	2014	2019	2022	2023	% Share in India's Exports in 2023
	India's Exports to Peru	754.6	751.0	865.3	916.3	100.0
87	Vehicles other than railway or tramway	166.8	177.7	269.2	282.4	30.8
52	Cotton	135.8	131.6	137.8	127.4	13.9
30	Pharmaceutical products	37.8	76.3	86.3	102.9	11.2
84	Machinery and mechanical appliances	16.9	24.6	47.1	59.2	6.5
85	Electrical machinery and equipment	11.3	11.4	46.4	43.1	4.7
55	Man-made staple fibres	28.4	29.8	16.7	31.6	3.5
29	Organic chemicals	18.1	26.6	28.6	29.4	3.2
40	Rubber and articles	16.4	26.3	27.0	24.8	2.7
39	Plastics and articles	42.7	29.7	13.8	16.0	1.7
32	Tanning or dyeing extracts	15.0	17.1	15.6	15.6	1.7
72	Iron and steel	75.8	6.9	23.5	15.6	1.7
69	Ceramic products	0.3	4.4	7.1	13.5	1.5
90	Optical, photographic, cinematographic and medical equipment	4.4	8.0	9.9	11.4	1.2
73	Articles of iron or steel	35.2	54.7	15.6	10.2	1.1
38	Miscellaneous chemical products	4.8	7.1	10.8	9.7	1.1

Source: ITC Trade Map and India Exim Bank Research

India's Merchandise Imports from Peru

India's imports from Peru are concentrated in pearls, precious stones and metals (HS-71), which accounted for 86.5% of its imports from Peru (**Table 3.2**). At a more disaggregated level, major imports under HS-71 include gold, including gold plated with platinum, unwrought, for non-monetary purposes valued at US\$ 2.4 billion imports in 2023 (HS-710812) and silver valued at US\$ 34.7 million (HS-710692). Other major import commodities include ores, slag and ash (11%), iron and steel (0.7%) and mineral fuels and oils (0.4%), among others. Peru is the fourth-largest supplier of gold (HS-710812) to India, accounting for over 5.7% of India's global gold imports in 2023.

Table 3.2: India's Major Imports : Commodity-wise

(US\$ million)

HS Code	Commodity	2014	2019	2022	2023	% Share in India's Imports in 2023
	India's Imports from Peru	564.0	1,757.7	2,499.7	2,774.2	100.0
71	Pearls, precious stones and metals	167.8	1,607.5	2,104.0	2,400.5	86.5
26	Ores, slag and ash	277.0	119.4	317.0	305.9	11.0
72	Iron and steel	0.1	3.8	13.0	20.4	0.7
27	Mineral fuels and oils	-	0.04	12.3	10.0	0.4
25	Salt; sulphur; earths and stone	95.6	0.01	30.4	7.8	0.3
08	Edible fruit and nuts	1.5	2.0	1.4	4.8	0.2
76	Aluminium and articles	0.7	1.3	1.5	4.3	0.2
28	Inorganic chemicals	2.0	2.4	3.2	3.1	0.1
32	Tanning or dyeing extracts	0.8	0.9	2.3	2.2	0.1
55	Man-made staple fibres	0.6	2.8	3.2	2.2	0.1
81	Other base metals	0.7	1.7	0.7	1.6	0.1
13	Lac; gums, resins	1.2	0.3	1.5	1.5	0.1
52	Cotton	-	0.03	0.2	1.4	0.05
74	Copper and articles	1.2	3.6	0.1	1.1	0.04
12	Oil seeds and oleaginous fruits	0.1	0.003	0.03	0.9	0.03

Note: - Nil / negligible.

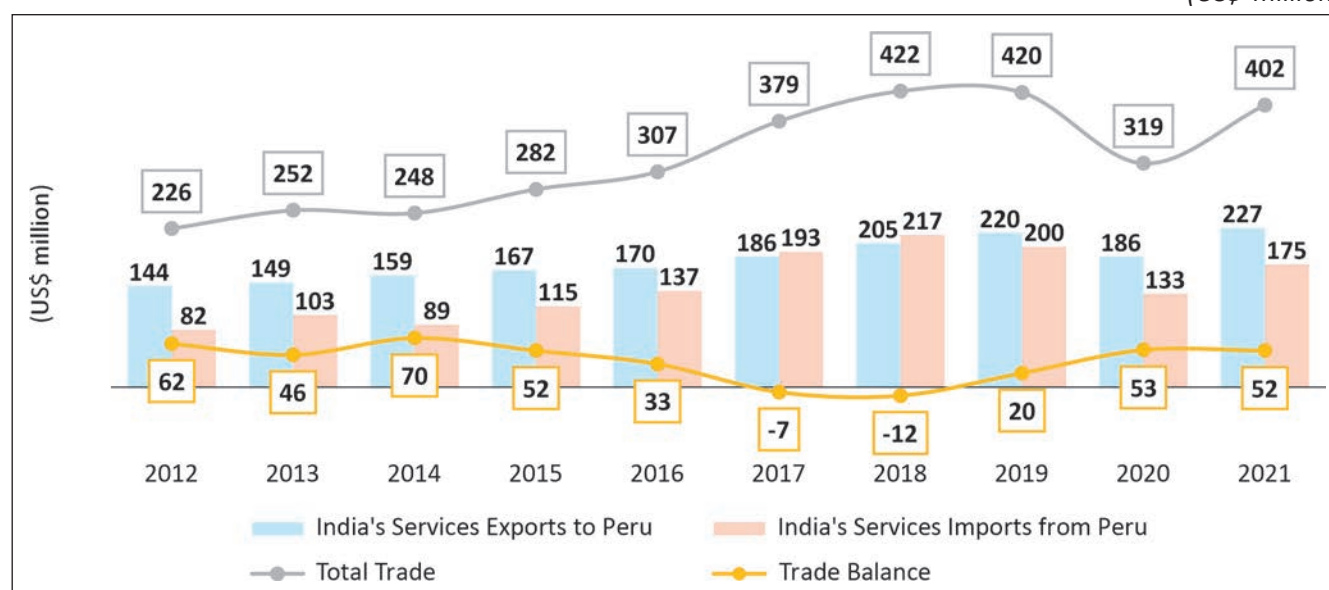
Source: ITC Trade Map and India Exim Bank Research

India – Peru Bilateral Trade in Services

Data on bilateral services trade between India and Peru were obtained from the BaTIS dataset. According to the most recent available information, India's exports to Peru increased by an average annual growth rate (AAGR) of 6.3% between 2012 and 2021. At the same time, imports from Peru grew at an AAGR of 12.7%, surpassing exports. India's services trade balance with Peru remains in surplus for most of the period under consideration, except for two years, viz.2017 and 2018 (**Chart 3.2**).

Chart 3.2: India's Bilateral Services Trade with Peru

(US\$ million)



Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

In 2021, India's services exports to Peru crossed the pre-pandemic levels. India's export basket mainly comprises telecommunication, computer and software services, followed by transport, other business services and construction (Table 3.3).

Table 3.3: India's Services Exports to Peru

(US\$ million)

Product/Sector	2019	2020	2021	% Share in 2021
India's Services Exports to Peru	220	186	227	100.0
Government goods and services	1	1	1	0.4
Commercial services	219	185	226	99.6
Transport	40	34	60	26.4
Travel	26	8	8	3.5
Other commercial services	152	143	157	69.2
Construction	11	10	10	4.4
Insurance and pension services	3	3	3	1.3
Financial services	5	3	5	2.2
Charges for the use of intellectual property	1	1	1	0.4
Telecommunications, computer, and information services	80	77	84	37.0
Other business services	52	49	53	23.3
Personal, cultural, and recreational services	1	1	1	0.4

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

India's services imports from Peru stood at US\$ 175 million in 2021, largely dominated by transport and other business services, which together accounted for 71.5% of India's services imports from Peru (Table 3.4).

Table 3.4: India's Services Imports from Peru

(US\$ million)

Product/Sector	2019	2020	2021	% Share in 2021
India's Services Imports from Peru	200	133	175	100.0
Government goods and services	7	10	13	7.4
Commercial services	193	124	162	92.6
Transport	92	59	92	52.6
Travel	55	16	13	7.4
Other commercial services	46	48	56	32.0
Construction	3	2	3	1.7
Insurance and pension services	1	2	2	1.1
Financial services	1	2	3	1.7
Charges for the use of intellectual property	1	1	2	1.1
Telecommunications, computer and information services	6	7	9	5.1
Other business services	30	30	33	18.9
Personal, cultural and recreational services	4	3	5	2.9

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010

India's Bilateral Investment Relations with Peru

Bilateral foreign direct investment flows have been relatively modest between India and Peru. During April 2000 to December 2024, Peru's FDI equity inflows into India stood at US\$ 3.8 million⁶. Peru's investments in India spans across multiple sectors, including beverages, mining and drilling, mining services, and industrial lubricants. On the other hand, India's FDI flows to Peru stood at US\$ 28 million during the period April 2000 to December 2024⁷. India's investments in Peru have ventured into diverse sectors, including mining, IT, automobiles, pharmaceuticals, and transportation. The mining sector has attracted significant Indian investments, including in potash, anthracite coal, gold, and copper mining. The IT sector is expanding with companies like Tata Consultancy Services, Tech Mahindra, and Infosys. Indian automobile companies such as Bajaj Auto, TVS, Hero Motors, and Mahindra & Mahindra operate in Peru through local distributors.

Investing in Peru

Peru is a top destination for foreign investment in Latin America and offers several incentives for investors. Private sector investment made up 78.2% of Peru's total investment in 2023. In the past few years, several companies from Latin America, China, North America, and Europe have invested or acquired local companies in key sectors such as energy generation and distribution, power transmission, telecommunications, fishmeal and retail.

Peru is strategically positioned as a gateway to South America, a crucial link for trade between the region and the Asia-Pacific basin. The country is actively developing its logistics ecosystem, which, combined with its

⁶ Department of Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India.

⁷ Overseas Direct Investment, Department of Economic Affairs, Ministry of Finance, Government of India.

extensive network of FTAs, positions Peru as a critical player in the global organisation sector and a potential coordinator of new shipping routes.

Peru is a member of the Association of Free Zones of the Americas (AZFA) and the World Free Zone Organization (WFZO). Peru currently has four Free Trade Zones (FTZs) – referred to as Special Economic Zones (Zonas Económicas Especiales) – in operation: Zofratacna (in Tacna), Matarani port (Arequipa), Ilo port (Moquegua), and Paita port (Piura). Several investments projects are taking place in the mining sector, especially in lithium and copper.

In July 2023, Peru became the first Latin American country to formally accept the Agreement on Fisheries Subsidies of the WTO. Peru is a fishing country and according to FAO, it is considered the third-most important of the world in terms of marine species capture.



Potential for Enhancing Bilateral Trade - Aligning India's Exports with Peru's Import Demand

A preferential trade agreement (PTA) or free trade agreement (FTA) will only be beneficial if there exists complementarity between the export supply of one country and the import demand of the other country. In other words, whatever India exports, Peru should have a corresponding demand for it and vice-versa. It is generally understood that complementarity in the trade structure of the countries facilitates higher trade between them and there is scope for mutual benefit from this increased trade.

Thus, it is important to assess the level of complementarity between India and Peru while analysing the feasibility of a prospective FTA between both the partners. The trade complementarity index (TCI) is a useful tool, which can provide information on feasibility and prospects for intra-regional trade. A TCI between two countries shows how well the structures of foreign trade of India and Peru fit to understand the utility of an FTA. It measures the extent to which a country's export profile matches the import profile of the partner country, in the sense that what a country exports overlaps with what the other country imports and indicates the prospects for enhanced trade flows. It is a normalised index, which takes values between 0 and 100, with higher values denoting greater complementarity. TCI was first proposed by Kojima Kiyoshi and perfected by Peter Drysdale in 1967, and the major proponents of the TCI (Michaely, 1996 and Yeats, 1998) argue that the higher the value of the trade complementarity index, the more favourable the outcome of a proposed FTA would be on its potential members.

The TCI between countries 'k' and 'j' is defined as:

$$TCI_{ij} = 100 (1 - \text{sum} (|m_{ik} - x_{ij}| / 2))$$

where,

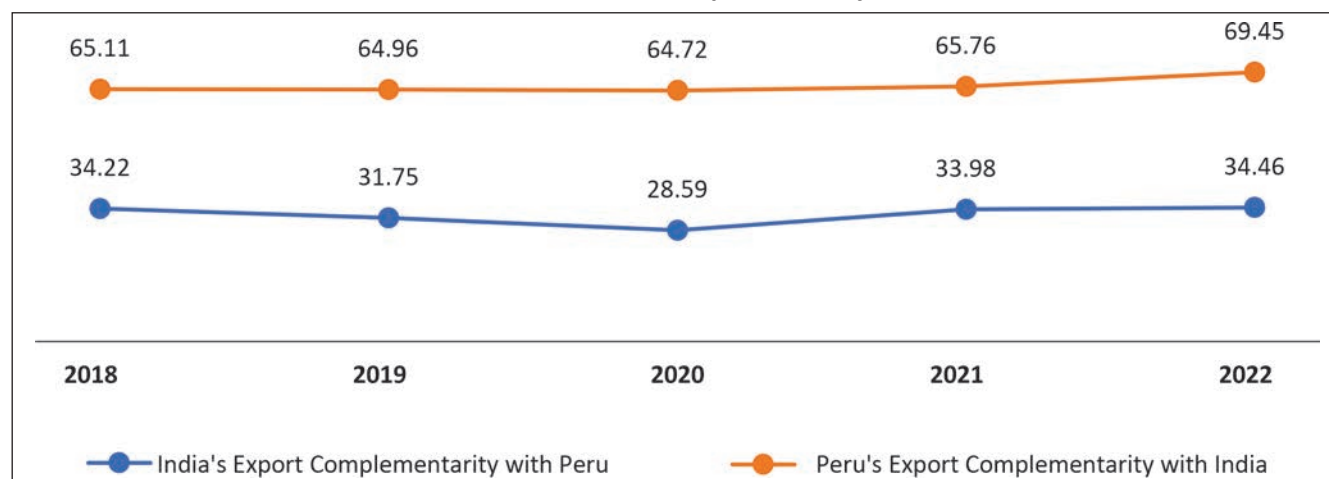
x_{ij} : Share of Good 'i' in Global Exports of Country 'j'

m_{ik} : Share of Good 'i' in Global Imports of Country 'k'

The index is zero when no goods are exported by one country or imported by the other and 100 when the export and import shares exactly match.

During the period 2018-2022, while the complementarity index for profile of Indian exports to Peru's imports has marginally increased from 34.22 to 34.46, it remains at low levels in line with India's limited exports to Peru as well as the Latin American region (**Chart 4.1**).

Chart 4.1: India's Trade Complementarity with Peru



Source: WITS and India Exim Bank Research

During the same period, the complementarity index for Peru's export profile to India's import has increased from 65.11 to 69.45, reflecting India's growing imports from Peru, especially of gold (**Chart 4.1**).

Revealed Comparative Advantage

Analysing the key products where India has comparative advantage and mapping it with Peru's import demand for these products are necessary to increase India's exports to Peru. Quantification of comparative advantage helps in identification of products where exports from India have been performing well, as also those where success has been limited, although opportunities are significant.

Revealed Comparative Advantage (RCA) is a measure which has been used extensively to help assess a country's export potential/competitiveness. It helps in identifying categories of exports in which an economy has a comparative advantage by way of comparison of the country's trade scenario with the world trade scenario. It provides useful information about potential trade prospects with new partners. The basic assumption underlying the concept of RCA is that the trade profile reflects the inter-country differences in terms of relative costs as well as non-price aspects.

As per Balassa's (1965) measure, RCA index for country *i* for commodity *j* is:

$$RCA_{ij} = (x_{ji}/X_i) / (x_{jw}/X_w)$$

where,

x_{ji} : Exports of Commodity 'j' from Country 'i'

X_i : Total Exports from Country 'i'

x_{jw} : Total Exports of Commodity 'j' from World

X_w : Total Exports from World

The RCA index ranges from 0 to infinity, with 1 as the break-even point. An RCA value of less than 1 means that the product does not have a comparative advantage, while a value above 1 indicates that the product has a comparative advantage.

Since the RCA analysis is used in regard to one country's exports profile with reference to the world, the above formula of revealed comparative advantage has been modified to assess India's competitiveness in bilateral trade relations with Peru.

$$RCA_{ijc} = (x_{ijc}/X_{ic}) / (x_{wjc}/X_{wc})$$

where,

x_{ijc} : India's Exports of Commodity 'j' to Peru

X_{ic} : India's Total Exports to Peru

x_{wjc} : World's Exports of Commodity 'j' to Peru

X_{wc} : World Total Exports to Peru

The Normalised Revealed Comparative Advantage (NRCA) index demonstrates the capability of revealing the extent of comparative advantage that a country has in a commodity with more precision and consistency. NRCA can be defined in the following manner.

$$NRCA_{ijc} = (RCA_{ijc}-1/ RCA_{ijc}+1)$$

NRCA ranges from -1 to 1, with 0 as the breakeven point. That is, an NRCA value of less than 0 and greater than -1, means that the product has no export comparative advantage, while a value above 0 and less than 1, indicates that the product has a comparative advantage. The extent of comparative advantage/disadvantage can be gauged from the proximity of the NRCA values to the extreme data points, viz. +1 and -1.

The export competitiveness of India has been mapped with respect to Peru's demand. This has been undertaken with a view to outline a market-specific approach for exporters. An overarching analysis has been attempted to identify products from the industries for which India has existing export capabilities to Peru. These products are the potential export growth drivers from India to Peru and could suitably be targeted. The section also attempts to identify the products that India could focus on, to realise potentially higher values of exports to Peru, especially when considering that India already possesses manufacturing capabilities for these products. The objective of the exercise is to construct a product market matrix for products in demand in Peru, so that necessary actions and policies can be formulated in the direction of enhancing the exports of these potential products from India to Peru.

Following are the considerations in the analysis:

- **Time Period:** The time period considered for the analysis is 2019-2023.
- **Product Limit:** Only those products at a 6-digit HS code level with a minimum export value of US\$ 0.1 million from India to Peru are considered in the analysis.

- **Parameters in Consideration:** The analysis in this section considers two major determinants of India's performance in Peru, namely, the **NRCA for products**, and the **Average Annual Growth Rate (AAGR)** of world exports to Peru.

On the basis of these three considerations, a four-quadrant matrix is prepared for product identification. The four quadrants imply the following:

Product Champions (Product Import AAGR of Peru > World Import AAGR of Peru; Positive NRCA): These products have the maximum potential, as Peru's import demand for these products has shown robust AAGR over the period 2019-2023, while India's exports of these products to Peru are also competitive, reflected in positive NRCA values for such products. These are the products with maximum export potential to Peru and India needs to further expand its exports of these products in order to take advantage of its competitive position and achieve a greater market share in Peru.

Underachievers (Product Import AAGR of Peru > World Import AAGR of Peru; Negative NRCA): India does not have competitiveness in these products although their import demand in Peru has grown significantly over the period under consideration. India can strive towards building capacities and capabilities in these identified products. These are the products in which India can diversify in the medium to long term to continue being a strategic trade partner to Peru and further expand its bilateral ties with the country.

Winners in Declining Sectors (Product Import AAGR of Peru < World Import AAGR of Peru; Positive NRCA): India has competitiveness in these products, even though Peru's import AAGR for these products has been declining. These products may not have much demand in the future, and hence, scarce resources from these sectors could be diverted to other sectors where demand expectations are positive.

Lagging in Declining Sectors (Product Import AAGR of Peru < World Import AAGR of Peru; Negative NRCA): India does not have competitiveness in these products, and these sectors have also registered weak import demand in Peru during the period under consideration. The prospects for increasing Indian exports to Peru of these products are generally modest.

Product Identification Based on Competitiveness

To identify the products based on their export competitiveness in Peru, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level, whilst calculating their NRCA and mapping them against the AAGR of global imports of Peru for all products. The quadrants are drawn by comparing the AAGR of global imports of Peru for all products during 2019-2023 (which was 5.9%), to the NRCA of India's exports to Peru during the same period.

The objective of this analysis is to identify products whose import demand in Peru exceeds the overall average import demand for all products for the period 2019-2023 and map those with products where India has a comparative advantage.

At 6-digit HS Code level, with minimum exports of US\$ 0.1 million from India to Peru, 625 products have been identified representing a combined exports value of US\$ 903.1 million (98.6% of India's exports to Peru in 2023) while the global imports by Peru in the same products stood at US\$ 20.5 billion in 2023 (39.2% of Peru's global imports in 2023) (**Chart 4.2**).

Chart 4.2: Identification of Potential Exports from India to Peru in 2023



Source: Exim Bank's Estimates based on ITC Trade Map

Out of the 625 items at the HS 6-digit level, 290 items are in the Product Champions category. Valued at US\$ 603.5 million in 2023, these items represent approximately 65.9% of India's exports to Peru. Major product champions are provided in **Table 4.1**. These products are low-hanging fruits for India and can be targeted in the short to medium term. Peru's global imports of these Product Champions amounted to US\$ 4.3 billion in 2023, implying that there remains substantial scope for tapping the Peruvian market for these products.

Table 4.1: List of Major Product Champions from India to Peru

HS Code	Product	India's Exports to Peru (US\$ mn)	Share in India's Total Exports to Peru (%)	Global Imports of Peru (US\$ mn)	India's Share in Global Imports of Peru (%)
870322	Motor cars and other motor vehicles principally designed for the transport of 1.000 cm ³ but <= 1.500 cm ³	123.7	13.5	925.8	0.2
870321	Motor cars and other motor vehicles principally designed for the transport of <= 1.000 cm ³	57.6	6.3	126.2	0.1
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 192,31 decitex to < 232,56 decitex ">	49.1	5.4	61.5	0.1
871120	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder capacity > 50 cm ³ but <= 250 cm ³	37.3	4.1	188.4	0.1
520522	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 232,56 decitex to < 714,29 decitex ">	37.1	4.0	46.2	0.1
520526	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 106,38 decitex to < 125 decitex "	17.7	1.9	16.8	-

HS Code	Product	India's Exports to Peru (US\$ mn)	Share in India's Total Exports to Peru (%)	Global Imports of Peru (US\$ mn)	India's Share in Global Imports of Peru (%)
551511	Woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, mixed principally or solely with viscose staple fibres	16.4	1.8	18.2	-
300212	Antisera and other blood fractions	11.0	1.2	36.9	-
690721	Ceramic flags and paving, hearth or wall tiles, of a water absorption coefficient by weight <= 0.5 %	9.1	1.0	85.8	-
550953	Yarn containing predominantly, but < 85% polyester staple fibres by weight, mixed principally or solely with cotton	8.5	0.9	29.8	-
720230	Ferro-silicomanganese	8.3	0.9	18.6	-
741980	Articles of copper	7.8	0.9	8.7	-
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles	7.0	0.8	99.1	-
401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries	6.7	0.7	208.8	-
090931	Cumin seeds, neither crushed nor ground	5.7	0.6	6.8	-

Note: “-” negligible

Source: ITC Trade Map and India Exim Bank Research

The total number of products in the Growing in Declining Sector category is 125, and Indian exports to Peru in 2023 amount to US\$ 230.1 million, i.e. 25.1% of India's exports. These are the product lines where India enjoys a competitive advantage and has gained a significant share in the import basket of Peru. However, the demand for imports of these products from Peru has decreased over the last five years (**Table 4.2**). India needs to diversify away from this segment of products and move towards the Product Champions and the Underachievers segment.

Table 4.2: List of Major Products Under Growing in Declining Sectors Category from India to Peru

HS Code	Product	India's Exports to Peru (US\$ mn)	Share in India's Total Exports to Peru (%)	Global Imports of Peru (US\$ mn)	India's Share in Global Imports of Peru (%)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses “incl. those for transdermal administration” or in forms or packings for retail sale	56.5	6.2	489.5	0.1
870323	Motor cars and other motor vehicles principally designed for the transport of 1.500 cm ³ but <= 3.000 cm ³	32.3	3.5	530.9	0.1
851713	Smartphones for wireless networks	18.4	2.0	942.0	-

HS Code	Product	India's Exports to Peru (US\$ mn)	Share in India's Total Exports to Peru (%)	Global Imports of Peru (US\$ mn)	India's Share in Global Imports of Peru (%)
520513	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear density of 192,31 decitex to < 232,56 decitex "> MN 43 to MN 52"	13.6	1.5	17.9	-
300241	Vaccines for human medicine	12.8	1.4	127.8	-
847490	Parts of machinery for working mineral substances	10.0	1.1	217.9	-
540233	Textured filament yarn of polyester	7.7	0.8	57.8	-
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors	5.9	0.6	88.6	-
300215	Immunological products, put up in measured doses or in forms or packings for retail sale	4.2	0.5	87.9	-
320417	Synthetic organic pigments; preparations based on synthetic organic pigments of a kind used to dye fabrics or produce colorant preparations	4.1	0.4	13.7	-
300410	Medicaments containing penicillins or derivatives with a penicillanic acid structure, or streptomycins or derivatives	4.0	0.4	16.4	-
300420	Medicaments containing antibiotics, put up in measured doses "incl. those for transdermal administration" or in forms or packings for retail sale	3.7	0.4	49.6	-
320416	Synthetic organic reactive dyes; preparations based on synthetic organic reactive dyes of a kind used to dye fabrics or produce colorant preparations	3.7	0.4	12.6	-
390690	Acrylic polymers, in primary forms	2.7	0.3	72.8	-
620520	Men's or boys' shirts of cotton	2.1	0.2	22.6	-

Note: "-" negligible

Source: ITC Trade Map and India Exim Bank Research

The product category of Underachievers includes 136 items, with India's exports of these products to Peru amounting to US\$ 45.3 million, representing 4.9% of India's total exports to Peru. These are the products where India's exports are currently not competitive but where the Peruvian market is seeing an increase in demand for imports (**Table 4.3**). Peru's imports of these products stood at US\$ 9.5 billion in 2023, presenting significant opportunities for exporters. A number of factors can contribute to the underperformance, including supply-side capacity constraints, product quality standards, and market access, among others. There is thus a need for capacity creation in these product categories, through an appropriate incentive framework for attracting investments into the country.

Table 4.3: List of Major Products under Underachievers Category from India to Peru

HS Code	Product	India's Exports to Peru (US\$ mn)	Share in India's Total Exports to Peru (%)	Global Imports of Peru (US\$ mn)	India's Share in Global Imports of Peru (%)
271019	Medium oils and preparations, of petroleum or bituminous minerals	6.2	0.7	2791.4	-
870422	Motor vehicles for the transport of goods, with only compression-ignition internal combustion piston engine "diesel or semi-diesel", of a gross vehicle weight > 5 t but <= 20 t	3.8	0.4	230.9	-
840999	Parts suitable for use solely or principally with compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	1.9	0.2	121.4	-
640299	Footwear with outer soles and uppers of rubber or plastics	1.8	0.2	220.4	-
210690	Food preparations	1.4	0.2	272.2	-
380891	Insecticides, put up in forms or packings for retail sale or as preparations or articles	1.4	0.2	110.1	-
870421	Motor vehicles for the transport of goods, with only compression-ignition internal combustion piston engine "diesel or semi-diesel", of a gross vehicle weight <= 5 t	1.4	0.1	628.0	-
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution of electricity, for a voltage <= 1.000 V	1.1	0.1	81.3	-
842123	Oil or petrol-filters for internal combustion engines	1.0	0.1	60.5	-
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles	1.0	0.1	58.3	-
170199	Cane or beet sugar and chemically pure sucrose, in solid form	0.9	0.1	125.5	-
380893	Herbicides, anti-sprouting products and plant-growth regulators, put up in forms or packings for retail sale or as preparations or articles	0.8	0.1	80.2	-
640411	Sports footwear, incl. tennis shoes, basketball shoes, gym shoes, training shoes and the like, with outer soles of rubber or plastics and uppers of textile materials	0.8	0.1	91.5	-
870423	Motor vehicles for the transport of goods, with only compression-ignition internal combustion piston engine "diesel or semi-diesel", of a gross vehicle weight > 20 t	0.8	0.1	367.5	-
401110	New pneumatic tyres, of rubber, of a kind used for motor cars, incl. station wagons and racing cars	0.8	0.1	73.3	-

Note: "-" negligible

Source: ITC Trade Map and India Exim Bank Research

Exports from India to Peru under the Lagging in Declining Sectors category stood at US\$ 24.2 million, comprising 74 products, accounting for 2.6% of India's total exports to Peru in 2023. The significant range of exports under the category of declining sectors, which include, among others, medicaments (HS 300490), motor cars and other motor vehicles principally designed for the transport of 1.500 cm³ but ≤ 3.000 cm³ (HS 870323), smartphones (HS 851713), single cotton yarn (HS 520513), and vaccine for human medicine (HS 300241), highlights the need for diversification to other sectors as well as industries which have greater scope for exports in the future.

Unless the scarce resources are diverted, the excess supply of these product items, which face limited demand in Peru, will lead to a further drop in their prices. In order to make efficient utilisation of resources and to further increase India's exports to Peru, a shift needs to be made from the Lagging in Declining Sectors category towards the Product Champions in the short term and Underachievers in the medium to long term.



Barriers in India-Peru Goods and Services Trade

Liberalisation of trade and FDI generally leads to improved resource allocation across firms and sectors, boosting productivity and output. Tariffs are the most common barrier. Tariffs are customs duties applied to imports of goods in order to give a price advantage to locally produced goods over similar goods which are imported. The different types of tariff terminology and data used in the present analysis are as follows.

Most Favoured Nation Tariff

The most favoured nation (MFN) tariffs are what countries promise to impose on imports from other members of the WTO, unless the country is part of a preferential trade agreement (such as a free trade area or customs union). This means that, in practice, MFN rates are the highest (most restrictive) tariffs that WTO members charge one another.

Some countries impose higher tariffs on countries that are not part of the WTO. In some rare cases, WTO members/GATT contracting parties have invoked the “Non-Application Clause” of WTO/GATT agreements and chosen not to extend MFN treatment to certain other countries.

Effectively Applied Tariff

Effectively applied tariff (AHS) is the actual tariff imposed upon the country. WITS database of the World Bank uses the concept of effectively applied tariff which is defined as the lowest available tariff. If a preferential tariff exists, it will be used as the effectively applied tariff. Otherwise, the MFN applied tariff will be used. The importing country will apply the MFN tariff if the product fails to meet the country’s rules that determine the product’s country of origin.

Preferential Tariff

A preferential tariff (PRF) is one that falls under a preferential trade agreement, where countries make a deal in which they agree to charge a lower rate than the MFN rate. Virtually all countries in the world are part of at least one preferential trade agreement, under which they promise to charge lower tariffs than their MFN rate to another country’s products. In a customs union (such as the Southern Africa Customs Union or the European Community) or a free trade area (e.g., NAFTA), the preferential tariff rate is zero on essentially all products. These agreements are reciprocal – all parties agree to give each other the benefits of lower tariffs. Some agreements specify that members will receive a percentage reduction from the MFN tariff, but not necessarily zero tariffs. Preferences therefore differ between partners and agreements.

Tariff Rates of Peru

According to the latest WTO report, Peru's average most favoured nation (MFN) applied tariff on agriculture commodities stood at 2.8%, while that of non-agricultural products is 2.3%. Peru has done unilateral import tariff reductions, which had led to an average MFN tariff of just 2.3% and trade-weighted average of 1.7% in 2023, considered as one of the lowest among WTO Members. Peru's tariff in 2023 includes 8,002 tariff lines. Peru's customs tariff is based on the Common Tariff Nomenclature of the member countries of the Andean Community, with the inclusion of additional subheadings.

Peru does not apply tariff quotas to MFN imports. It does, however, apply preferential tariff quotas, having negotiated and applied them under agreements with EFTA (Switzerland only), Canada, Costa Rica, the US, Mexico, Panama, the EU and Uruguay (MERCOSUR). A rate of 0% applies to in-quota imports under preferential tariff quotas; the MFN or preferential tariff, depending on the agreement, applies to out-of-quota imports. For tariff quotas applicable to products subject to the price band, preferential treatment is granted to both the ad valorem and specific components.

According to WITS, as far as MFN tariff is concerned, duty-free treatment applies to 66% of tariff lines in 2022 (**Table 5.1**), covering mainly machinery, electrical equipment, fish and some agricultural products. The general rate of tax applied on imports is 18% (16% of value added tax (VAT) plus 2% of municipal promotion tax). For all transactions, the vendor is subject to VAT, except in the case of importation of goods or services rendered abroad, but economically used within Peru, for which VAT is self-assessed by the importers and users, respectively. In addition, Peru applies an excise tax (ISC) to certain products such as tobacco and alcoholic beverages.

Table 5.1: Distribution of MFN Tariff Rates of Peru, 2022

MFN Tariff Rates (%)	Total Number of Tariff Lines	% Share in Tariff Lines	Total Imports (US\$ million)	% Share in Total Imports
0	5,279	66.0	36,245.6	60.2
0.1-6	544	6.8	1,981.2	3.3
6	1474	18.4	10,887.2	18.1
7-10	35	0.4	24.1	0.04
11	639	8.0	2,659.3	4.4
Duty not Specified	31	0.4	8,449.0	14.0
Total	8,002	100.0	60,246.4	100.0

Source: WITS Database and India Exim Bank Research

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). In some of the preferential trade agreements signed by Peru, the ad valorem component for these subheadings has been eliminated. There are no quantitative import restrictions. Imports of used cars, which are more than five years old, and used buses and trucks, more than two years old, are prohibited. Used medical equipment is only permitted for individual physicians.

Tariff on Peru's Imports from India

In the current analysis, the tariff at 6-digit HS level is considered, using TRAINS based WITS data for the year 2022. **Table 5.2** disintegrates the simple average of the effectively applied tariff (AHS) imposed by Peru on imports from India. It is the effectively applied tariff that the Indian exporters face while exporting to Peru. There are 2,063 tariff lines (at 6-digit HS code) that have effectively applied tariff rate of 0%, which amounted to total imports of US\$ 507.6 million in 2022, and this corresponds to 42.8% of the total imports of Peru from India in 2022. There are 582 tariff lines under the 5-10% bracket and 326 lines under 11% effectively applied tariff rates, amounting to a combined 6.1% share in total imports.

Table 5.2: Effectively Applied Tariff on Peru's Imports from India, 2022

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	% Share in Tariff Lines	Total Imports (US\$ million)	% Share in Total Imports
0	2,063	63.3	507.6	42.8
0.1-5	288	8.8	18.2	1.5
5-10	582	17.8	582.2	49.1
11	326	10.0	71.8	6.1
Rate Not Specified	2	0.1	5.9	0.5
Total	3,261	100.0	1,185.7	100.0

Source: WITS Database and India Exim Bank Research

Tariff on India's Imports from Peru

The tariffs imposed by India on Peru's exports at a 6-digit HS code level using TRAINS based WITS data are analysed in the current section. **Table 5.3** disintegrates the simple average of the effectively applied tariff by India on Peru's exports. There are only 11 tariff lines (at 6-digit HS code) on which India imposes the effectively applied tariff of 0%, imports for which amount to US\$ 0.1 million in 2022. There are 124 tariff lines under 1-10% AHS, with an import value of US\$ 354.5 million and a 14.2% share in India's imports from Peru.

Table 5.3: Effectively Applied Tariff on India's Imports from Peru, 2022

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	% Share in Tariff Lines	Total Imports (US\$ million)	% Share in Total Imports
0	11	1.5	0.1	0.004
1-10	124	17.1	354.5	14.2
10-20	326	44.8	2,136	85.4
20-50	218	30.0	8.8	0.4
>50	36	5.0	0.3	0.01
Rate Not Specified	12	1.7	0.01	0.0004
Total	727	100.0	2,499.7	100.0

Source: WITS Database and India Exim Bank Research

There are 326 tariff lines, amounting to US\$ 2.1 billion under the 10%-20% effectively applied tariff, which corresponds to 85.4% of India's imports from Peru in 2022. In addition, there are 218 tariff lines with India's

imports from Peru amounting to US\$ 8.8 million, which are subject to effectively applied tariff between 20% to 50%.

There are 36 tariff lines that have effectively applied tariff rates of greater than 50%, which amounted to the combined imports of US\$ 0.3 million in 2022, accounting for 0.01% of India's total imports from Peru in 2022. There are 12 tariff lines under the category of unspecified ratings, with negligible share in imports, which mainly correspond to garments, cotton and petroleum oil.

There is considerable potential to strengthen trade between both countries in areas including automobiles, textiles, pharmaceuticals, plastic products, oil and gas industry, minerals, metals and agricultural products.

Non-Tariff Measures in Goods Trade

According to the United Nations Conference on Trade and Development (UNCTAD), non-tariff measures (NTMs) are generally defined as “policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded or prices or both.”⁸ A large number of domestic regulations meant to protect the environment, consumers or workers are designed in such a way that they can potentially discriminate against foreign suppliers of goods or services. The scope for these NTMs is large, their nature is complex and constantly changing. This leads to challenges to ensure level playing fields between countries⁹. Based on the WTO classification, the different types of NTMs used in the present analysis are defined below.

- **Sanitary and Phytosanitary Measures**

Sanitary and phytosanitary measures (SPS) are measures that are applied to protect human or animal life from risks arising from additives, contaminants, toxins or disease-causing organisms in their food; to protect human life from plant or animal-borne diseases; to protect animal or plant life from pests, diseases, or disease-causing organisms; to prevent or limit other damage to a country from the entry, establishment or spread of pests; and to protect biodiversity. These include measures taken to protect the health of terrestrial and aquatic plants and animals.

- **Technical Barriers to Trade**

Technical Barriers to trade (TBT) refer to technical regulations and procedures of assessment of conformity with technical regulations, excluding measures covered by the chapter on SPS. A technical regulation is a document that sets out product characteristics or related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. Some examples of TBT measures include packaging or labelling requirements, such as health warnings on tobacco products; regulations on product characteristics, such as energy performance requirements for electrical appliances and conformity assessment procedures. Examples of SPS are tolerance limits for residues, restricted use of substances, labelling requirements related to food safety, hygienic requirements and quarantine requirements, meat and poultry processing standards to reduce pathogens, residue limits for pesticides in foods and regulation of agricultural biotechnology.

⁸ https://unctad.org/system/files/official-document/ditctab2019d5_en.pdf

⁹ World Trade Organization, 2012

- **Anti-Dumping Measures**

Anti-dumping measures (ADP) are unilateral remedies which may be applied by a WTO member after an investigation and determination by that member, in accordance with the provisions of the anti-dumping agreement, that an imported product is “dumped” and that the dumped imports are causing material injury to a domestic industry producing the like product.

- **Countervailing Measures**

Countervailing Measures (CV) are the actions taken by the importing country, usually in the form of increased duties to offset subsidies given to producers or exporters in the exporting country.

- **Safeguard**

A Safeguard (SG) measure of the WTO allows a member country to temporarily restrict imports of a product to protect a specific domestic industry from a surge in imports of any product which is causing, or threatening to cause, serious injury to the domestic industry.

- **Quantitative Restrictions**

Quantitative restrictions (QR) are prohibitions or restrictions other than duties, taxes or other charges applied by WTO members on imports or exports of goods, which can be made effective through quotas, import or export licences or other measures.

- **Tariff-Rate Quota**

Tariff-rate quota (TRQ) allows for quantities inside a quota to be charged lower import duty rates, than those outside (which can be high).

- **State-Trading Enterprises**

State trading enterprises (STE) are defined as governmental and non-governmental enterprises, including marketing boards, which deal with goods for export and/or import. The STE might be used to provide protection for the domestic market in a given product by setting resale prices of imports at very high levels, thus negating tariff concessions bound.

- **Export Subsidies**

Export subsidies (XS) are defined as “subsidies contingent on export performance, including the export subsidies listed in detail in Article 9 of Agreement on Agriculture”.

Non-Tariff Measures Imposed by India

According to the data obtained from the WTO’s Integrated Trade Intelligence Portal (I-TIP) as of June 30, 2024, India has imposed around 1,029 NTMs against WTO members, including Peru. Among these, ADP, SPS and TBT are among the most widely used NTMs, with 376 ADP, 276 SPS and 273 TBT in place. Quantitative restrictions have also been adopted by India, followed by protection through anti-dumping, countervailing duties, state trading enterprises, safeguard and tariff-rate quota measures as of June 2024.

According to the broad sector classification of I-TIP, WTO, products of the chemical and allied industries have the highest number of NTMs (274) imposed by India as of June 30, 2024 (**Table 5.4**). The majority of the NTMs are in the form of ADP (195), followed by TBT (62), SPS (6), QR (5), STE (3) and CV (3). Resins, plastics and articles, rubber and articles and base metals and articles also have a significant number of NTMs (128 each). Sectors such as prepared foods, beverages, spirits, vinegar, tobacco, and vegetable products are also substantially protected, with a total of 233 measures, covering SPS (157), TBT (58), ADP (11), QR (2), TRQ (1) and STE (4). There is a total of 181 NTMs for which the HS classification is not available, largely dominated by SPS (93) and TBT (82).

Table 5.4: Broad-Sector Classification of NTMs Imposed by India as on June 30, 2024

HS Product Description	SPS	TBT	ADP	CV	SG	QR	TRQ	STE
Total	276	273	376	26	4	59	3	12
Measures without HS code	93	82	2	-	4		-	-
Live animals and products	49	21	-	-	-	25	1	2
Vegetable products	81	24	-	-	-	1	1	4
Animal and vegetable fats, oils and waxes	13	26	-	6	-	25	1	1
Prepared foodstuff, beverages, spirits, vinegar and tobacco	76	34	11	-	-	1	-	-
Mineral products	6	13	18	-	-	1	-	7
Products of the chemical and allied industries	6	62	195	3	-	5	-	3
Resins, plastics and articles and rubber and articles	7	38	79	3	-	1	-	-
Hides, skins and articles, saddlery and travel goods	-	-	-	-	-	4	-	-
Wood, cork and articles and basket-ware	7	1	20	7	-	1	-	-
Paper, paperboard and articles	-	6	15	-	-	1	-	-
Textiles and articles	-	9	64	1	-	1	-	-
Footwear, headgear, feathers and fans	-	1	-	-	-	-	-	-
Articles of stone, plaster and ceramic products	-	11	28	3	-	-	-	-
Pearls, precious stone and metals	1	1	-	-	-	1	-	-
Base metals and articles	-	25	89	13	-	1	-	-
Machinery and electrical equipment	-	61	34	1	-	2	-	-
Vehicles, aircraft and vessels	-	10	7	-	-	1	-	-
Instruments, clocks, recorders and reproducers	-	10	9	-	-	1	-	-
Arms and ammunition	-	-	-	-	-	1	-	-
Miscellaneous manufactured articles	-	13	-	-	-	2	-	-
Works of art and antiques	-	-	-	-	-	1	-	-

Note: Anti-dumping [ADP], Countervailing [CV], Quantitative Restrictions [QR], Safeguards [SG], Sanitary and Phytosanitary [SPS], Special Safeguards [SSG], State Trading Enterprises [STE], Technical Barriers to Trade [TBT], Tariff-rate quotas [TRQ] and Export Subsidies [XS]

Source: I-TIP, WTO and India Exim Bank Research

In June 2024, India initiated an anti-dumping investigation concerning the imports of 'Acrylic Fibre' from Peru. The product is classified under Chapter 55 of the Customs Tariff Act, 1975 under the sub-headings 55013000,

55033000 and 55063000 - acrylic fibre of all types and kinds. The product is also imported under 55033010 and 55033090.

Non-Tariff Measures Imposed by Peru

As of June 30, 2024, Peru has 1,138 NTMs towards the WTO members (including India), as well as bilaterally imposed on India by Peru. Among the 1,138 NTMs, SPS and TBT measures are among the mostly used NTMs, with 972 SPS and 128 TBT. Other safeguards include ADP (10), QR (6), CV (4) and SG (2).

According to the broad sector classification of the WTO Integrated Trade Intelligence Portal (I-TIP), the vegetable products sector is the most protected sector in Peru through NTMs, consisting of 712 measures. The sector is largely protected through SPS (694) and TBT (17) (**Table 5.5**).

With 210 NTMs, the live animals and products sector is also largely protected. The majority of the NTMs are in the form of SPS (197), followed by TBT (13). Of the 54 NTMs for which HS classification is not available, 38 are SPS measures, 14 are TBTs and 2 are SGs.

Table 5.5: Broad-Sector Classification of NTMs Imposed by Peru as on June 30, 2024

HS Product description	SPS	TBT	ADP	CV	SG	QR
Total	972	128	10	4	2	6
Measures without HS code	38	14			2	
Live animals and products	197	13				
Vegetable products	694	17		1		
Animal and vegetable fats, oils and waxes	2	11		1		
Prepared foodstuff, beverages, spirits, vinegar and tobacco	29	20		1		
Mineral products	2	11	1			1
Products of the chemical and allied industries	8	47	2	2		2
Resins, plastics and articles and rubber and articles		17				1
Hides, skins and articles, saddlery and travel goods	2	2				
Wood, cork and articles and basketware	18	1				
Paper, paperboard and articles		10				
Textiles and articles	22	11	6			1
Footwear, headgear, feathers, artificial flowers and fans		6	2			
Articles of stone, plaster; ceramic products, glass		3	1			
Base metals and articles						
Machinery and electrical equipment		7	3			
Vehicles, aircraft and vessels		24				3
Instruments, clocks, recorders and reproducers		4				3
Miscellaneous manufactured articles		19				2

Note: Anti-dumping [ADP], Countervailing [CV], Quantitative Restrictions [QR], Safeguards [SG], Sanitary and Phytosanitary [SPS], Special Safeguards [SSG], State Trading Enterprises [STE], Technical Barriers to Trade [TBT], Tariff-rate quotas [TRQ] and Export Subsidies [XS]

Source: I-TIP, WTO and India Exim Bank Research

Peru imposed an anti-dumping duty on polyviscose fabrics imported from India on March 25, 2011.

Major NTBs of Peru

- Different taxation rules on domestic alcoholic beverages
- Labelling requirements regarding food packages
- GMOs moratorium
- Certification of imports of processed food of animal origin.
- Price Band System for certain agricultural products, especially regarding rice.

The Price Band System is a stabilisation mechanism applied by Peru since 2001 to various tariff lines for four agricultural products, namely, rice, sugar, maize and dairy products. It makes it possible to neutralise the fluctuations of international prices of these products and limit the negative effects of the fall in their prices. Its ceilings are in line with the bound tariff commitment in the framework of the WTO.

Peru's Moratorium on Genetically Modified Organisms

In 2011, Peru became the first nation in Latin America to prohibit the importation of genetically modified material as well as its use in agricultural applications. Peru is one of the eight countries worldwide with such a comprehensive ban, and within Latin America, only Venezuela has followed suit. Peru's moratorium on genetically modified organisms (GMOs) was renewed in January 2021, prohibiting the entry (import) and production of GMOs for a further 15 years until December 21, 2035. This measure is an opportunity to appreciate and preserve Peru's biodiversity, a priceless resource that has been in the hands of more than 2 million smallholders, farmers and indigenous people for millennia. The GMO Moratorium disables and discourages deforestation of the Amazon and fosters diversified, resilient agroecosystems producing nutritious food in the context of sanitary crisis and climate change.

Quality and Standards

In March 2018, the Peruvian government approved a new regulatory framework for the approval, conduct, monitoring and evaluation of National Quality Policies, under the guidelines indicated by the National Center for Strategic Planning (CEPLAN), which is the responsible authority in this area.

Peru is a full member of the International Organisation for Standardization (ISO), the International Electrotechnical Commission (IEC) and Codex Alimentarius. Peru has only one standardisation body, the National Institute of Quality or INACAL.

According to the Peruvian Competition Law, National Institute for the Defense of Competition and the Protection of Intellectual Property (Indecopi) examines competition matters in all markets, including the civil aviation market. Exception: According to article 17 of the Peruvian Competition Law, only Supervisory Agency for Private Investment in Telecommunications (OSIPTEL), the telecommunications regulator, could analyze competition controversies in the telecommunications field.

Services Trade Restrictiveness Index

The relative restrictiveness of the Indian services trade policy can be analysed using the Services Trade Restrictiveness Index (STRI) developed by the OECD. The OECD database includes 22 services sectors for 38

OECD countries and among the non-OECD countries, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Vietnam. These countries and sectors represent over 80% of global trade in services. The STRI database contains information on trade restrictions and behind the border regulations in the following sectors:

- Computer services
- Construction
- Professional services (legal, accounting, engineering, and architecture)
- Telecommunications
- Distribution
- Audiovisual services (broadcasting, motion pictures, sound recording)
- Transport (air, maritime, road freight and rail freight)
- Courier
- Financial services (commercial banking, insurance)
- Logistics services (cargo-handling, storage and warehouse, freight forwarding, customs brokerage)

The STRI score takes values between zero and one, with one indicating the most restrictive trade environment. The STRI also harmonises policy measures implemented by the countries across the 22 services sectors. These policy measures are categorised under five policy areas:

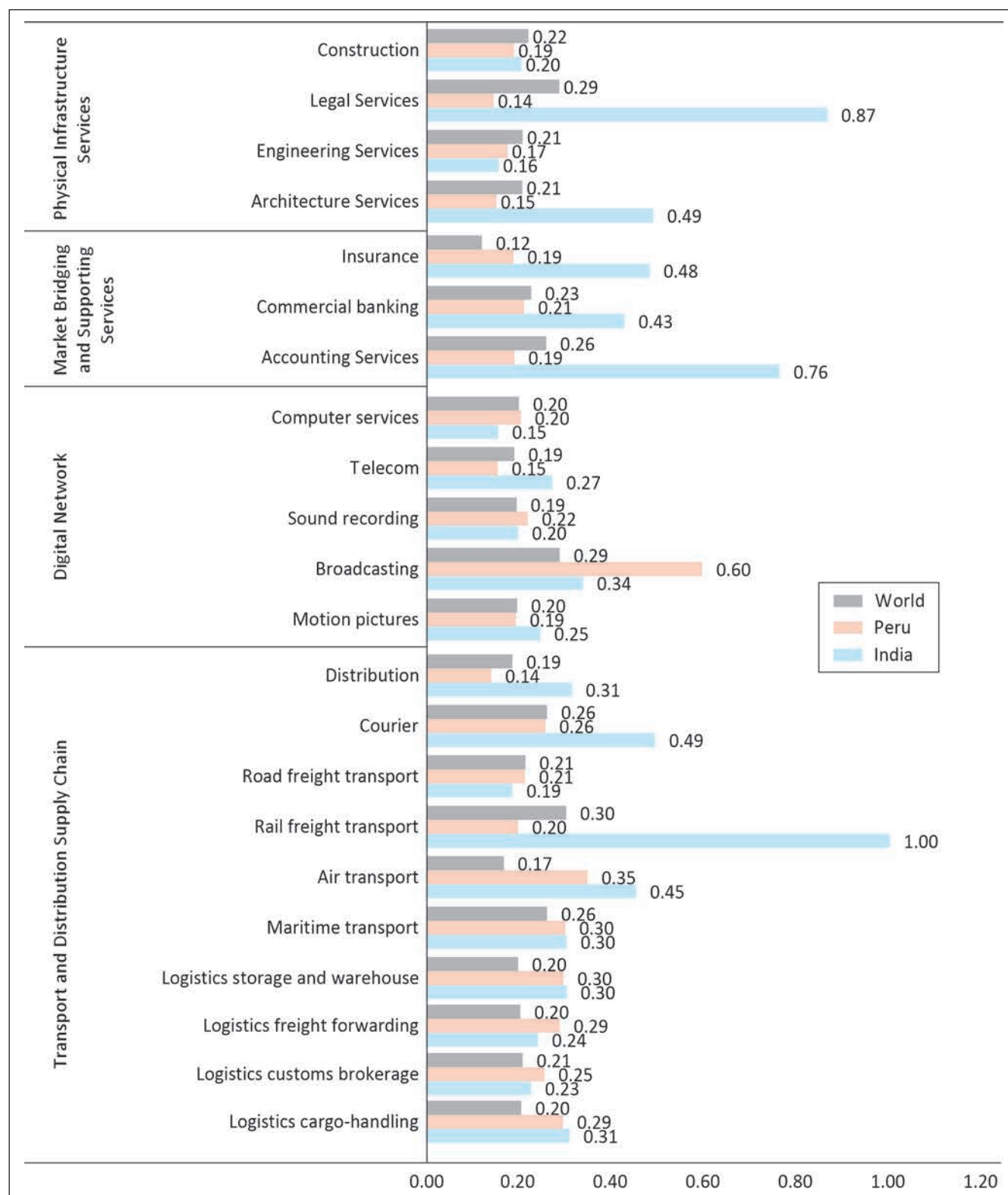
- Restrictions on foreign ownership and other market entry conditions
- Restrictions on the movement of people
- Other discriminatory measures and international standards
- Barriers to competition and public ownership
- Regulatory transparency and administrative requirements

As per the OECD, the STRI database records regulations in force, and does not consider preferential agreements. Peru is among the top 20 economies with the best regulatory performance in 2023 with relatively low STRIs, while India is ranked 43rd. In **Chart 5.1**, the STRI values by sectors and policy area for India, Peru and the World are given across 22 sectors in 2023.

As can be seen in the case of Peru, among the sectors, broadcasting services have the highest STRI value of 0.60 against the world average of 0.29. Other sectors with high STRI values are air transport at 0.35 compared to the world average of 0.17, maritime transport at 0.30 compared to the world average of 0.26 and logistics, which comprise storage and warehouse, cargo-handling, freight forwarding, whose STRI values stood at 0.30, 0.30 and 0.29, respectively, compared to the world average of 0.20 each. Peru's lowest STRIs are in distribution services (0.14), legal services (0.14), architecture services (0.15) and telecommunication services (0.15) against the world average of 0.19, 0.29, 0.21 and 0.19, respectively.

India has an STRI score above the world average in all the 22 sectors. Among the sectors, rail freight transport has the highest STRI value of 1 (maximum STRI value), which is well above the world average of 0.30. The other two sectors with high STRI values are legal services (0.87) and accounting services (0.76). The lowest STRIs are in computer services (0.15) and engineering services (0.16), against the world average of 0.20, and 0.21, respectively.

Chart 5.1: Services Trade Restrictiveness Index (STRI) for India, Peru and World in 2023



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

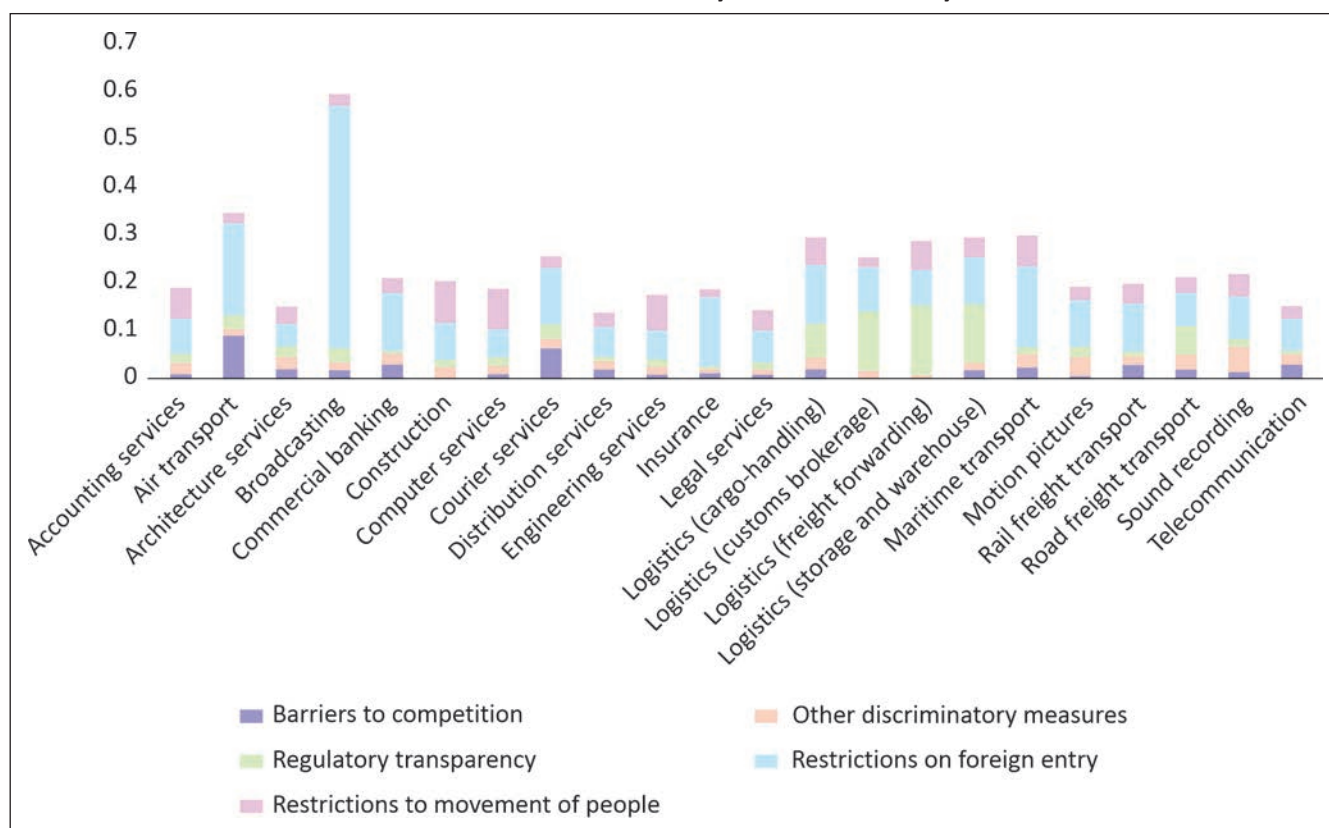
Source: OECD STRI database and India Exim Bank Research

Based on the above analysis, a comparison of India's STRIs with that of Peru reveals that India is a much-more restricted economy in services trade than Peru. India's STRIs are significantly higher compared to Peru in the case of rail freight transport, legal and accounting services. However, Peru is also restrictive in broadcasting, air transport, maritime transport and logistics as the STRI for these remain above the world average in 2023. Also, in comparison to India, Peru is more restrictive in the case of computer services, engineering services, road freight transport, sound recording services, logistics (freight forwarding) and broadcasting. Thus, computer services, engineering services, logistics and transport services are the potential sectors which are likely to provide a comparative advantage to both India and Peru in the case of liberalisation due to the India-Peru FTA.

Peru STRI: Policy-wise

In terms of policy area-wise, Peru majorly restricts the services trade through restrictions on foreign entry, restrictions to movement of people and regulatory transparency. Sectors that impose high restrictions on foreign entry include broadcasting services (0.51), air transport (0.19) and maritime transport (0.17).

Chart 5.2: Peru's STRI Values by Sector and Policy Area



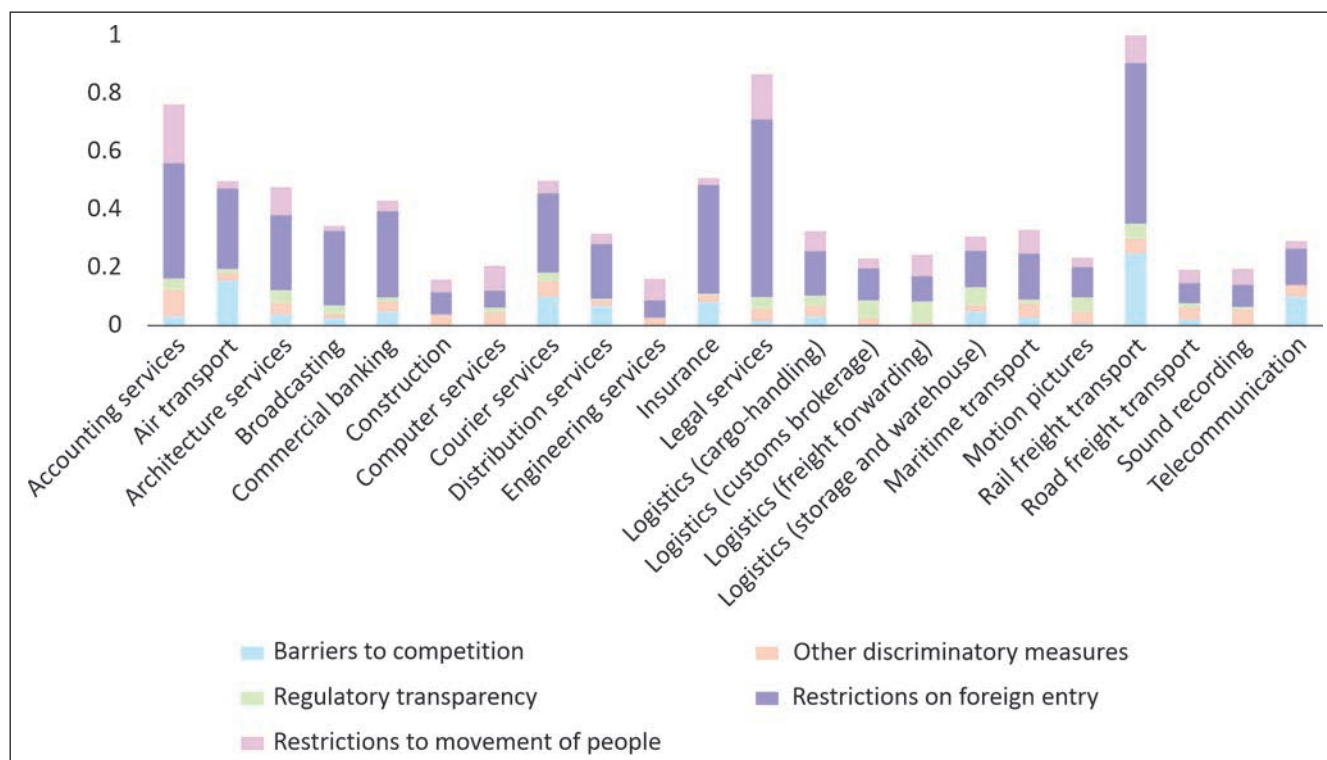
Source: OECD STRI database and India Exim Bank Research

Sectors such as computer services, construction, engineering services, accounting services, and maritime transport have greater restrictions on the movement of people than others in Peru. The sectors that impose high restrictions regulatory transparency are logistics (0.46) and road freight transport (0.06), among others (**Chart 5.2**).

India STRI: Policy-wise

In terms of policy area-wise, India also majorly restricts the services trade through restrictions on foreign entry. Sectors that face high restrictions on foreign entry include legal services (0.61), rail freight transport (0.55) and accounting services (0.40). The sectors that face high restriction on the movement of people include accounting services (0.20), legal services (0.16), architecture services (0.1) and rail freight transport (0.1). Sectors such as rail freight transport, air transport, telecommunication, courier services and insurance have greater barriers to competition than others (**Chart 5.3**).

Chart 5.3: India's STRI Values by Sector and Policy Area



Source: OECD STRI database and India Exim Bank Research

Barriers Faced by Indian Service Suppliers in Peru: Horizontal Restrictions

Horizontal measures are cross-cutting restrictions across sectors. The restrictiveness of these measures automatically gets reflected in the sectoral STRI. As a result, even if a sector is less restrictive as per sector - specific measures, the horizontal measures make the whole sector restrictive. I-TIP of WTO database provides mode-wise horizontal measures impacting services sector. Currently, the database covers 31 service sectors in 76 economies.

According to the WTO, the 4 modes of services trade are defined as:

Mode 1: Cross-border Trade

A mode of service supply or trade where services are supplied from the territory of one country into the territory of another. For example, a user in country A receives services from abroad through its telecommunications or postal infrastructure. Such supplies may include consultancy or market research reports, tele-medical advice, distance training or architectural drawings.

Mode 2: Consumption Abroad

A mode of service supply or trade where services are supplied in the territory of one country to the consumers of another. This mode of supply requires that the consumer of services move abroad. An example is travelling abroad to receive medical treatment or to enroll in an education program. Nationals of A have moved abroad as tourists, students or patients to consume the respective services.

Mode 3: Commercial Presence

A mode of service supply or trade where services are supplied through any type of business or professional establishment, i.e., FDI by one country in the territory of another. An example is the establishment of a branch of a foreign bank or a franchising outlet in a foreign location. The service is provided within Country A by a locally-established affiliate, subsidiary or representative office of a foreign-owned and controlled company of Country B (bank, hotel group, construction company, etc.).

Mode 4: Movement of Natural Persons

A mode of service supply or trade where services are supplied by nationals of one country in the territory of another, requiring the physical presence of the service provider in the host country. This mode includes both independent service providers as well as employees of the services providers of another member. Examples include consultants, teachers and actors of one country supplying services through their physical presence in a member country, or the managers of a multinational enterprise. A foreign national provides a service (say from country A) within country B as an independent supplier (e.g., consultant, health worker) or employee of a service supplier (e.g. consultancy firm, hospital, construction company).

These modes of supply require the movement of either the service itself (Mode 1), the service consumer (Mode 2) or the service supplier (Modes 3 and 4). **Table 5.6** analyses Modes 1, 3 and 4 horizontal restrictions imposed by Peru on the services sector.

Table 5.6: Mode-wise Horizontal Restrictions on Services Sector Imposed by Peru

Measure	Responses
Mode 1	
Category: Conditions on operations	
Subcategory: Conditions on service supplier	
Measure: International data transfer: Distinction between countries/regions	Yes
Subcategory: Conditions on Government Procurement	
Measure: Threshold above which domestic tender is mandated	Yes
Measure: Threshold above which international tender is mandated	Yes
Mode 3	
Category: Conditions on market entry	
Subcategory: Other conditions on market entry	
Measure: Acquisition and/or rental of land and real estate by foreigners restricted	Yes
Measure: Rental of land and real estate by foreigners prohibited	No
Category: Conditions on operations	
Subcategory: Conditions on service supplier	

Measure	Responses
Measure: International data transfer: distinction between countries/regions	Yes
Subcategory: Conditions on government procurement	
Measure: Threshold above which domestic tender is mandated	Yes
Measure: Threshold above which international tender is mandated	Yes
Subcategory: Other conditions on operations	
Measure: Limits on subsequent transfer of capital and investment	No
Mode 4	
Category: Conditions on market entry	
Subcategory: Quantitative measures (for firms and natural persons)	
Measure: Limit on share of foreigners employed in the domestic economy	No
Category: Conditions on operations	
Subcategory: Conditions on service supplier	
Measure: International data transfer: distinction between countries/regions	Yes
Subcategory: Conditions on government procurement	
Measure: Threshold above which domestic tender is mandated	Yes
Measure: Threshold above which international tender is mandated	Yes

Source: I-TIP Database and India Exim Bank Research

Under Mode 1: Under horizontal restrictions, Peru has imposed conditions on operation through conditions on government procurement, there is a threshold above which domestic tender is mandated as well as a threshold above which international tender is mandated. The determination of the selection procedure for all the public sector entities within the scope of application of Law 30225 is subject to the following amounts: a) for the contracting of works with a value equal or over approximately US\$ 546,000 (1,800,000 Peruvian Soles) tender is mandated and b) for contracting goods with a value equal or over approximately US\$ 121,000 (400,000 Peruvian Soles) tender is mandated.

Peru also imposes conditions on services supplier for international data transfer. Laws distinguish between countries or regions to which data may be transferred to or accessed from abroad. The personal data holder and person in charge of its treatment must perform its cross-border transfer only if the destination country has adequate levels of protection in accordance to Peru's personal data protection law. If this is not the case, the transmitter must guarantee that the treatment of the personal data will be performed according to the same law.

Under Mode 3: Under horizontal restrictions, Peru has imposed conditions on market entry through restrictions on the acquisition and/or rental of land and real estate by foreigners. Acquisition and use of land and real estate by foreigners is restricted. With respect to property, foreign nationals, whether they are persons or corporate entities, fall under the same conditions as Peruvians. Therefore, they may in no instance invoke exception or diplomatic protection. However, within a distance of fifty kilometres (km) from the borders, foreigners may not acquire or possess under any title, directly or indirectly, mines, lands, woods, water, fuel, or energy sources, whether individually or in partnership, under penalty of losing that so acquired right to the State. The sole exception involves cases of public need expressly determined by executive decree and approved by the Cabinet, in accordance with the law. However, rental of land or real estate by foreigners is allowed.

In terms of government procurement, there is threshold above which domestic tender is mandated as well as threshold above which international tender is mandated. The determination of the selection procedure for all the public sector entities within the scope of application of Law 30225 are subject to the following amounts: a) for the contracting of works with a value equal or over approximately US\$ 546,000 (1,800,000 Peruvian Soles) tender is mandated and b) for contracting goods with a value equal or over approximately US\$ 121,000 (400,000 Peruvian Soles) tender is mandated.

Peru also imposes conditions on services suppliers for international data transfer. Laws distinguish between countries or regions to which data may be transferred to or accessed from abroad. The personal data holder and person in charge of its treatment must perform its cross-border transfer only if the destination country has adequate levels of protection in accordance with Peru's personal data protection law. If this is not the case, the transmitter must guarantee that the treatment of the personal data will be performed according to the same law.

With respect to conditions of operations under Mode 3, no restrictions on subsequent transfer of capital and investment are imposed by Peru.

Under Mode 4: Under horizontal restrictions, Peru has not imposed conditions on market entry through quantitative restrictions. There is no limit on the share of foreigners employed in the domestic economy.

In terms of government procurement, there is a threshold above which domestic tender is mandated as well as a threshold above which international tender is mandated. The determination of the selection procedure for all the public sector entities within the scope of application of Law 30225 is subject to the following amounts: a) for the contracting of works with a value equal or over approximately US\$ 546,000 (1,800,000 Peruvian Soles) tender is mandated, and b) for contracting goods with a value equal or over approximately US\$ 121,000 (400,000 Peruvian Soles) tender is mandated.

Peru also imposes conditions on service suppliers for international data transfer. The legislation distinguishes between countries or regions to which data may be transferred to or accessed from abroad. The personal data holder and person in charge of its treatment must perform its cross-border transfer only if the destination country has adequate levels of protection in accordance with the Peruvian law on personal data protection. If not, the transmitter must guarantee that the treatment of the personal data will be performed according to the same law.

Sector-wise Quantitative Measure for Movement of People

In Mode 4, Peru imposes sector-wise quantitative measures (for firms and natural persons) as part of the conditions for market entry. Peru imposes a limit only on the number of foreigners employed per company. Limit is also imposed on the total number or share of foreigners employed per company (covering intra-corporate transferees and other foreign employees of companies established in the country, whether locally- or foreign-controlled). The number of foreign employees, in both national and foreign companies, may not exceed 20% of the total payroll. Employers may ask for this quota to be waived when it comes to specialised professional or technical personnel or managerial personnel of a new or renewed business activity. Among the exceptions to this quota are also the cases of foreign personnel who work in a multinational services company. Moreover, the salaries of all foreign employees may not exceed 30% of the total payroll.

There is no separate quota imposed for contractual services suppliers, independent professionals or intra-corporate transferees. There are no requirements for economic need or labour market tests (**Table 5.7**).

Table 5.7: ENT/LMT Requirement on Services Sector Imposed by Peru

Sectors	ENT/LMT - Contractual Service Supplier	ENT/LMT - Independent Professionals	ENT/LMT - Intra-Corporate Transferees	Limit on Number of Foreigners Employed per Company	Quota - Contractual Service Supplier	Quota - Independent Professionals	Quota - Intra-Corporate Transferees
Accounting Services	No	No	No	Yes	No	No	No
Air Freight Domestic	No	No	No	Yes	No	No	No
Air Freight International	No	No	No	Yes	No	No	No
Air Passenger Domestic	No	No	No	Yes	No	No	No
Air Passenger International	No	No	No	Yes	No	No	No
Architectural Services	No	No	No	Yes	No	No	No
Auditing Services	No	No	No	Yes	No	No	No
Commercial Banking	No	No	No	Yes	No	No	No
Computer and Related Services	No	No	No	Yes	No	No	No
Construction and Related Engineering Services	No	No	No	Yes	No	No	No
Engineering Services	No	No	No	Yes	No	No	No
Fixed-line Telecommunication Services	No	No	No	Yes	No	No	No
Health Services	No	No	No	Yes	No	No	No
Hotel and Other Lodging Services	No	No	No	Yes	No	No	No
Legal Services: Home Country Law and/or Third Country Law (Advisory/Representation)	No	No	No	Yes	No	No	No
Legal Services: Host Country Advisory Services	No	No	No	Yes	No	No	No
Legal Services: Host Country Representation Services	No	No	No	Yes	No	No	No
Life Insurance	No	No	No	Yes	No	No	No
Maritime Cargo-Handling, Storage, Warehousing and Container Station Depot Services	No	No	No	Yes	No	No	No
Maritime Intermediation Auxiliary Services	No	No	No	Yes	No	No	No
Maritime: Freight Transportation	No	No	No	Yes	No	No	No
Mobile Telecommunication Services	No	No	No	Yes	No	No	No
Motion Picture Services	No	No	No	Yes	No	No	No
Non-life Insurance	No	No	No	Yes	No	No	No
Postal and Courier Services	No	No	No	Yes	No	No	No
Rail: Freight Transportation	No	No	No	Yes	No	No	No
Reinsurance and Retrocession	No	No	No	Yes	No	No	No
Retailing Services	No	No	No	Yes	No	No	No
Road: Freight Transportation	No	No	No	Yes	No	No	No
Sound Recording	No	No	No	Yes	No	No	No
Television Services	No	No	No	Yes	No	No	No
Tourist Guides Services	No	No	No	Yes	No	No	No

Sectors	ENT/LMT - Contractual Service Supplier	ENT/LMT - Independent Professionals	ENT/LMT - Intra-Corporate Transferees	Limit on Number of Foreigners Employed per Company	Quota - Contractual Service Supplier	Quota - Independent Professionals	Quota - Intra-Corporate Transferees
Travel Agencies and Tour Operators' Services	No	No	No	Yes	No	No	No
Wholesale Trade Services	No	No	No	Yes	No	No	No

Source: I-TIP Database and India Exim Bank Research

Also, according to OECD Services Trade Restrictiveness Index Policy Trends February 2024, Article 3 of the law protecting consumers of financial services introduced a requirement to regulate contractual and default interest rates on loans. From September 2018, Article 4 of Ley 28951 de actualización de la Ley 13253, de profesionalización del Contador Público y de creación de los Colegios de Contadores Públicos requires that audit companies should comprise licensed public accountants before the entity can be registered in the Public Accountant Association. In motion pictures, the Decreto de urgencia que promueve la actividad cinematográfica y audiovisual 022- 2019 introduced screen quotas in December 2019.

Performance and Data Localisation Requirements

Peru's Personal Data Protection Law (Law Number 29733) has been in effect since 2013. Data controllers who process personal data must be registered with the National Authority for Personal Data Protection (ANPDP). Personal data is defined as any information on an individual which identifies or makes him/her identifiable through reasonable means, including biometric information, racial and ethnic origin, political, religious, philosophical, or moral opinions or convictions, personal habits, union membership and information related to health or sexual orientation. Unless otherwise exempted by the law, data controllers are generally required to obtain the consent of data subjects before processing personal data. The data controller may transfer personal data to a location outside Peru only if the beneficiaries have adequate protection in place.

Data controllers must adopt technical, organisational, and legal measures to guarantee the security of personal data and avoid its alteration, loss, unauthorised processing or access. Peruvian laws do not require notifications to any data subject or any other entity upon a breach. Peru does not have special regulations related to the processing of the personal data of minors. The ANPDP is responsible for enforcement and can issue administrative sanctions or fines based on whether the violation is mild, serious, or very serious. The law provides for some recourse for the data subject when violations occur. There are no requirements for foreign IT providers to turn over source code and/or provide access to encryption.

In 2020, Peru established the Digital Trust Framework (Urgency Decree 007-2020) which provides for personal data protection and transparency, consumer protection and digital security. The law established the Government and Digital Transformation Secretariat (SEGDI) under the Prime Minister's Office as the overall coordinator and governing body for digital security, but it placed data protection and transparency under the Ministry of Justice and Human Rights (MINJUS). The order established a national data centre as a digital platform for managing, directing, communicating and overseeing the operation, training, promotion, collaboration and cooperation of data at the national level.



Way Forward and Recommendations

The importance of India and Peru's bilateral relationship is underscored by the development of their trading partnership and complementarity, which were covered in earlier chapters. The study has identified areas where India should increase its production and trade, where it has a comparative advantage over Peru, and potential export items that Indian exporters could prioritise. The relationship between India and Peru has regained its momentum, and both countries are keen to strengthen it and expand their economic cooperation. It is an opportune time for India and Peru centre their engagements to the next level. This section provides a brief overview of several policy initiatives that could further improve bilateral economic cooperation.

I. Agriculture and Food Processing

India and Peru possess complementary agricultural strengths, creating opportunities for mutually beneficial trade and collaboration. India, with its expertise in agricultural products, technology and food processing, and Peru, with its unique superfoods and organic produce, stands to gain significantly from such a partnership. India and Peru exhibit complementary agricultural strengths, laying the foundation for cooperation. India has a competitive edge in producing pulses, cereals, dairy and processed foods. The country's expertise in agri-tech solutions, including affordable farm machinery and irrigation technologies, further adds value to its agricultural sector. Peru, on the other hand, specialises in high-value superfoods such as quinoa, avocados, blueberries and grapes. It has also developed proficiency in organic farming, which appeals to health-conscious consumers worldwide. The strategic location of Peru, with access to Latin American and Pacific markets, provides India with an additional gateway to enhance its agricultural exports.

Collaboration in Agri-Tech and Farm Practices: Collaboration between India and Peru extends beyond trade to technological exchange and agricultural best practices. India can offer affordable and scalable solutions such as low-cost tractors, drip irrigation systems and agrochemicals to support Peru's farmers. Indian innovations in mobile-based platforms for crop insurance, soil testing and weather forecasting can also benefit Peruvian farmers. Additionally, the two countries can establish capacity-building programs, facilitating knowledge exchange in areas like organic farming, sustainable agricultural practices and post-harvest management. While this will help to improve agricultural productivity in Peru, it will also open up new avenues for agri-tech companies from India to expand internationally.

Investment in Food Processing and Cold Chain Development: Bilateral investment in food processing and cold chain infrastructure is another promising area for collaboration. Indian companies can set up food processing

units in Peru, utilising locally sourced raw materials to create value-added products for export across Latin America. In parallel, Peru can invest in India's food processing parks under initiatives such as the PM Kisan Sampada Yojana, benefiting from incentives offered to foreign investors. Joint ventures can also be established to create high-value processed foods like quinoa-based snacks or organic fruit beverages. Furthermore, India's expertise in developing cold storage and logistics infrastructure can help reduce post-harvest losses in Peru, ensuring efficient transportation of perishables like fruits and vegetables.

Organic and Sustainable Farming: India can also benefit from Peru's expertise in organic and sustainable farming, helping India align with global trends in sustainability and enhance the export potential of Indian organic products. Additionally, India's growing agri-tech sector will have new opportunities to deploy its technology solutions in Peru, promoting exports in the form of services and software.

Cooperation in Reducing NTBs: A potential FTA between India and Peru can address critical trade facilitation issues such as eliminating non-tariff barriers (NTBs). Both countries can negotiate to reduce phytosanitary restrictions and technical standards that currently hinder trade relating to agriculture. Mutual recognition agreements (MRAs) on sanitary and phytosanitary (SPS) measures will further streamline the export process, ensuring smoother trade flows. Joint research initiatives focusing on climate-resilient crops and alternative proteins will further strengthen the partnership, addressing food security challenges in both countries.

II. Renewable Energy

India has rapidly advanced in renewable energy, with ambitious goals aimed at mitigating climate change and achieving energy security. As of 2024, India is a global leader in solar energy capacity and has significantly invested in wind power, with a combined renewable energy capacity of over 175 GW. India's National Green Hydrogen Mission aims to produce 5 million tons of green hydrogen annually by 2030, positioning India as a key player in global hydrogen markets. India's focus on promoting solar manufacturing, hybrid energy systems and energy storage solutions aligns with its higher commitment to achieving 500 GW of non-fossil fuel capacity by 2030.

Peru, on the other hand, possesses abundant natural resources that form a foundation for expanding renewable energy production. Although 57% of Peru's electricity is generated from hydropower, the country holds substantial untapped potential in solar energy along its coastal regions and wind energy in the Andean highlands. The Peruvian government endeavoured to diversify its energy mix to reduce reliance on hydropower, particularly during dry seasons, and shift toward solar and wind energy. Studies by the Peruvian Ministry of Energy and Mines (MINEM) and other institutions estimate the potential for wind energy in Peru at 20 GW, the potential for solar energy at 25GW and the potential for geothermal generation at around 3 GW. This presents a significant opportunity for technology-sharing partnerships with India, leveraging the respective strengths of both countries in renewable energy development.

Technology Transfer and Infrastructure Development: India's advancements in solar and wind technology present an opportunity to assist Peru in expanding its underutilised renewable potential. Indian firms, such as Tata Power and ReNew Power, have extensive experience in implementing large-scale renewable projects and could participate in building solar parks and wind farms in Peru. Additionally, India can export solar panels, wind turbines and energy management technologies, helping Peru accelerate its renewable energy transition. Joint ventures focused on infrastructure development would not only enhance energy security in Peru but also create new investment opportunities for Indian firms.

Green Hydrogen Collaboration: Peru's abundant hydropower resources make it an ideal location for green hydrogen production, as hydro energy can power electrolyzers, the equipment needed to separate hydrogen from water without emitting carbon dioxide. India, through its National Green Hydrogen Mission, has expertise in developing hydrogen production systems, electrolyzer technology and distribution infrastructure. A collaboration between the two countries could involve Indian companies helping to set up green hydrogen production plants in Peru and developing regional supply chains for hydrogen-based fuels. This cooperation could also pave the way for increased bilateral trade in green ammonia or hydrogen derivatives, allowing both countries to integrate into global green hydrogen markets.

Cooperation in Research and Development: There is substantial potential for joint Research and Development (R&D) initiatives to advance hydrogen storage, electrolyser efficiency and other renewable energy technologies. India's growing capabilities in solar-wind hybrid energy systems—where wind and solar power are combined to ensure stable energy output—could offer practical solutions for Peru's varied climate. Such R&D partnerships would not only accelerate technological innovation but also build technical expertise in both countries. Establishing technology incubation hubs or research centres focused on green hydrogen production and battery storage systems would foster long-term collaboration.

Access to Critical Minerals for Clean Energy: Peru is a major producer of copper, lithium, and rare earth elements, which are essential for manufacturing solar cells, batteries and electric vehicle (EV) components. India's growing demand for these minerals for clean energy—especially for its EV battery production and renewable energy equipment—makes Peru a strategic partner. An FTA that eases restrictions on imports of critical minerals will ensure a reliable supply chain for Indian industries, helping India reduce its dependence on other suppliers and enhance its energy security.

Knowledge and Technological Exchange: Collaboration with Peru will offer India access to Peru's expertise in hydropower and pumped hydro storage systems. Hydropower plays a key role in grid stabilisation and energy storage, which is critical as India expands its share of intermittent renewable energy sources like wind and solar. Learning from Peru's hydropower infrastructure could assist India in developing pumped hydro storage projects, ensuring grid reliability and balancing electricity demand. This knowledge exchange would enhance India's capacity to integrate renewables into its national grid effectively.

III. Automobile Industry Collaboration

India is the fourth-largest automobile market globally, known for its robust manufacturing capabilities in small passenger vehicles and two-wheelers. Indian companies like Tata Motors, Mahindra & Mahindra, Maruti Suzuki and Bajaj Auto have made a name in the international market, with Indian auto exports crossing 4.5 million units in 2023. India's strengths lie in cost-effective manufacturing, where it offers competitive labour costs and a well-developed supply chain, as well as its focus on fuel-efficient and EVs. This makes India well-positioned to serve a variety of global markets.

Peru, on the other hand, is an emerging market with growing demand for automobiles. Its increasing middle class and stable economic growth (which averaged around 4% pre-pandemic) have created a strong demand for affordable vehicles. As Peru relies heavily on imports to meet this demand, it is an attractive market for Indian vehicle exports, especially in segments like two-wheelers and affordable small passenger vehicles. Indian companies could take advantage of this market by providing cost-effective solutions tailored to Peruvian needs.

Opportunities for Collaboration: India's automakers could export low-cost two-wheelers and small passenger cars to Peru, catering to the urban and rural populations. Another significant area of collaboration could be in EVs, as Peru is increasingly focusing on green and sustainable transport solutions. Indian companies like Tata Motors and Ola Electric could partner with Peruvian firms for local assembly or distribution, making the most of India's advancements in electric mobility. An FTA would allow India to diversify its markets beyond traditional regions like Africa and Asia, opening new opportunities in Latin America. Reduced tariffs on automobile exports would make Indian vehicles more price-competitive, particularly against those from the US, Japan and South Korea. Moreover, strategic access to other Latin American markets such as Chile, Colombia and Ecuador through Peru could amplify India's export footprint in the region.

IV. Mining Sector Collaboration

Peru is one of the leading producers of several minerals that are essential to global industries, including copper, gold, silver, zinc and lead. It is the world's third-largest producer of copper, which is critical for electrical wiring, electronics and other industrial uses. Peru is also a major producer of lithium and rare earth elements, which are essential for manufacturing solar cells, batteries and electric vehicle (EV) components. Additionally, Peru ranks among the top producers of silver and zinc, which are used extensively in manufacturing and technology sectors.

The mining sector is a key pillar of Peru's economy, contributing approximately 10% to GDP and over 60% to export revenues. The government is actively seeking to expand its mining sector by attracting foreign investment, which could present significant opportunities for Indian companies to partner in exploration, extraction and value-added processing.

India's Growing Demand for Minerals: India is one of the fastest-growing economies globally, with a rapidly expanding manufacturing and infrastructure sector. This growth has resulted in a surge in demand for metals and minerals like copper, zinc and silver. India's heavy reliance on imported minerals to meet this demand presents a clear opportunity for enhanced trade relations with Peru, a key global supplier. The Indian government's emphasis on infrastructure development, the rise of the EV sector, and the 'Make in India' initiative have further increased the demand for critical minerals.

Long-term Mineral Supply Contracts: Indian companies could enter into long-term supply agreements with Peruvian mining firms to secure a steady and reliable source of copper, silver, zinc and other minerals, to help India diversify its critical sources, and reduce its dependence on other regions. India's growing demand for lithium for clean energy, especially for manufacturing of EV batteries and renewable energy equipment, makes Peru a strategic partner. Establishing a reliable supply chain with Peru for such critical minerals can support Indian industries.

Investment in Mining Exploration: Indian firms, especially public-sector companies such as NMDC Ltd, can invest in mining exploration and production in Peru. This would give Indian companies direct access to mineral resources, helping to secure supply chains and reduce costs.

Technology Transfer: India can contribute to improving sustainable mining practices in Peru by providing expertise in environmentally friendly technologies and methods of mining waste management. India's growing knowledge in renewable energy and sustainable mining technologies could be shared with Peruvian companies to optimise mining operations and reduce environmental impacts.

V. Metals Sector Collaboration

India has a burgeoning metals sector, especially in steel, aluminium, and copper production. The country is the world's second-largest producer of steel and its non-ferrous metal industries are expanding rapidly, driven by demand from sectors like construction, automotive, electronics and renewable energy. India's growing economy has increased the demand for both raw metal imports and processed metals. In 2022, India's imports of refined copper stood at approximately 350,000 metric tons, while the demand for non-ferrous metals, like zinc and aluminium, is also on the rise.

Peru is rich in non-ferrous metals such as copper, zinc and silver, which are vital for India's metal production. By sourcing these metals from Peru, India could secure an uninterrupted supply of high-quality raw materials, helping meet domestic industrial needs while enhancing cost-efficiency in production processes.

Joint Ventures in Metal Refining: Indian companies can set up refining and smelting plants in Peru to process raw metals, leveraging Peru's vast mineral reserves and India's expertise in refining technologies. This could reduce the cost of raw material processing and boost exports of refined metals from both nations.

Investment in Peruvian Metal Industries: Indian metal producers could invest in Peru's metal processing industries, helping Peru add value to its exports while benefiting from a more integrated supply chain. Indian companies like Hindalco Industries or Vedanta Resources could explore partnerships in the Peruvian mining and refining industries.

Collaboration in Metal Recycling: India is a growing hub for metal recycling, and Peru could benefit from Indian expertise in recycling non-ferrous metals like aluminium and copper. Joint initiatives in recycling can promote sustainable practices and reduce the environmental impact of mining.

VI. Collaboration in Tourism

India and Peru have unique cultural and historical attractions. According to the UN Tourism, currently, 6.8% of Peru's economically rich and active population (1.2 million people) are employed directly or indirectly in the tourism sector. This figure is projected to increase to 1.3 million in 2024, witnessing a growth of 13.5% over 2023. The contribution of tourism to the GDP in Peru is expected to increase from 2.5% in 2023 to 2.9% in 2024. According to the World Travel and Tourism Council (WTTC) latest research, the tourism sector's contribution to India's GDP reached just over Rs. 19.13 trillion in 2023, almost 10% ahead of 2019 levels. Employment in Travel & Tourism grew by 10% to reach just under 43 million, 8% more than in 2019.

Since 2005, Peru has allocated around US\$ 621.4 million to tourism activities and projects through the public investment budget. This support is set to continue. Peru is making steady progress in post-pandemic visitor recovery, with 25.7% growth by 2023. The Government of India's ambition to facilitate 100 million inbound tourists by 2047, is expected to make India one of the world's most popular travel destinations. World Travel & Tourism Council (WTTC) projects the sector's GDP contribution at INR 43.25 trillion by 2034, potentially supporting nearly 63 million jobs.

With both India and Peru rich in cultural and historical heritage, offering unique experiences for travellers, there is potential for collaboration in tourism between these two countries, joint marketing efforts can be highly effective. By combining their strengths and attractions, India and Peru can create compelling travel

packages that appeal to a wide range of tourists. This could involve showcasing iconic landmarks, ancient civilisations, vibrant festivals and diverse landscapes from both nations. Additionally, joint marketing campaigns can highlight the shared experiences and cultural connections between the two countries, fostering a sense of curiosity and excitement among potential visitors. Such collaborative efforts can significantly boost tourism in both India and Peru, leading to increased economic activity and cultural exchange.

VII. Collaboration in Healthcare and Pharmaceuticals

Peru's health system is decentralised and complex, with healthcare provided by 5 separate entities (4 of which are public). Most of the population (60%) is served by the Ministry of Health (MINSA), but other providers include EsSalud (30%), the Armed Forces, the National Police and the private sector. Peru's healthcare and pharmaceutical sectors face significant challenges, including limited access to quality healthcare, particularly in rural areas, and a fragmented health system. Despite majority of Peruvians holding health insurance, many still lack access to fundamental healthcare services¹⁰. Additionally, primary care centres have inadequate infrastructure¹¹.

Recent Peruvian regulations aim to promote access to generic drugs and strengthen oversight of pharmaceuticals and medical devices. Addressing these challenges requires comprehensive reforms to improve healthcare infrastructure, ensure equitable access, and enhance regulatory frameworks within the pharmaceutical sector.

Indian pharmaceutical sector has gained its strength in integrating the entire chain of production right from APIs to Finished Dosage forms (Generics, Biologics & Vaccines) and its pharmaceutical industry is valued at about US\$ 50 billion FY 2023-24. India houses the highest number of USFDA- approved facilities outside the US and it has 30% of its exports catering to the US and almost 55% of its total exports are to regulated markets. India has emerged as a powerhouse for vaccine manufacturing with the largest production capacities, significantly contributing for essential immunization vaccine requirements of WHO, and the LAC region had been one of the major beneficiaries of Indian vaccines even before the pandemic¹².

India can play a significant role in strengthening Peru's healthcare and pharmaceutical sectors by leveraging its expertise in affordable medicine, digital health, and medical training. As one of the largest producers of generic drugs, India can help Peru reduce the cost of essential medicines by supplying low-cost pharmaceuticals or setting up local manufacturing units in collaboration with Peruvian companies. Additionally, India can support Peru's immunization programs by providing affordable vaccines and assisting in local vaccine manufacturing, based on its experience in vaccine production.

Another key area of collaboration is telemedicine and digital healthcare, where India has successfully implemented platforms like e-Sanjeevani to provide remote medical consultations. By sharing this technology, India can help Peru expand healthcare access to rural and underserved regions, reducing the burden on its limited medical infrastructure. Furthermore, partnerships between Indian medical institutions, such as AIIMS, and Peruvian universities, can enhance medical training programs, equipping healthcare professionals with advanced skills in fields like cardiology, oncology, and infectious diseases.

¹⁰ Healthcare in Peru: From coverage on paper to real coverage, World Bank Blogs, October 2023

¹¹ Peru – Progress in health and sciences in 200 years of independence, National Library of Medicine, United States

¹² India-Peru Pharma Business Meet, Press Release by Embassy of India Lima

Beyond pharmaceuticals and healthcare infrastructure, India's traditional medicine expertise in Ayurveda and alternative healing practices could complement Peru's indigenous medicine systems, offering cost-effective and holistic treatment options. Strengthening collaborations in these areas will not only enhance Peru's healthcare system but also deepen diplomatic and economic ties between the two countries, fostering long-term benefits for both nations.

VIII. Cooperation in Digital Public Infrastructure

India's foundational digital public infrastructure (DPI), known as India Stack, has actively stimulated innovation and competition, playing a crucial role in expanding markets, bridging gaps in financial inclusion, enhancing government revenue collection and optimising public expenditure efficiency. India Stack has been applauded at global platforms for its efficiency and scope.

India's unique DPI initiatives, beginning from CoWin, which managed the world's largest vaccination programme, created digital revolution amidst the pandemic chaos. India's indigenous initiatives such as the digital ID (Aadhaar) and payment infrastructure (UPI), have even been highlighted by the Digital Economy Working Group (DEWG) under the G20 umbrella. India's strategy for DPI seamlessly integrates scalability, inter-operability, innovation and cost-effectiveness. It goes beyond mere technological progress, presenting a visionary blueprint for an all-encompassing digital future that reverberates not only domestically but also on the world stage.

The Indian narrative on DPI serves as a compelling example of the nation's dedication to utilising technology for the greater good and establishing a model for other countries to emulate. In June 2024, NPCI International and the Central Reserve Bank of Peru (BCRP) signed an agreement to develop UPI-like real-time payments system in Peru. This collaboration marks a significant milestone, making Peru the first country in South America to adopt the globally renowned UPI technology—a symbol of India's pioneering excellence in digital payments. This strategic partnership empowers the BCRP to establish a reliable and efficient real-time payments platform within the country. BCRP noted that they aim to promote financial inclusion, security and efficiency, and to introduce new use cases in digital payments in Peru.

There is further immense scope for India and Peru to establish mutually beneficial technology partnership wherein on one hand Peru could benefit from India's successful implementation of highly inclusive and sustainable public infrastructure stack including Jan Dhan, Aadhar, ONDC and CoWin, among others. On the other hand, India would benefit from developing universality of India's payment interface, allowing improved cross border transactions in terms of trade as well as remittances. A comprehensive integration of digital infrastructure at the bloc level would enable enhanced clearing mechanism, supporting trade and providing a cushion against exchange rate fluctuations.

IX. Settlement of Trade Payments in Local Currencies

In 2022, the Reserve Bank of India unveiled a rupee settlement system for international trade, with the aim of fostering growth in global trade with an emphasis on Indian exports and supporting the growing interest of the global trading community in the Indian Rupee. The following year, the Government of India had announced that 22 countries have been permitted by the RBI to open Special Rupee Vostro Accounts (SRVAs) as part of efforts to promote bilateral trade in local currencies.

Exporters and importers can use a Special Vostro account linked to partner country's correspondent bank for receipts and payments denominated in local currencies. These Special Vostro Accounts can be used for payments for projects and investments, for the management of import or export advances, and investments in Government Treasury Bills. All exports and imports under the invoicing arrangement may be denominated and invoiced in local currencies, while exchange rate may be market determined, thus reducing currency risks for Indian companies. Protection against currency fluctuations reduces the cost of doing business and supports Indian companies' growth globally. At the same time, the internationalisation of the Indian rupee will reduce the RBI's need to hold high foreign exchange reserves. Additionally, by reducing its reliance on foreign currency, India becomes less vulnerable to external shocks. Reduced exposure to currency risk would substantially mitigate the pain of reversal of capital flows. As the use of the rupee becomes more significant, the bargaining power of Indian businesses will improve, adding weight to the Indian economy and enhancing India's global stature and respectability. It will also protect India from Balance of Payments crises as it can pay for external deficits in its own currency.

India and Peru could work on promoting mutual settlements of payments in national currencies for significantly increasing the volume of bilateral trade after tariff liberalisation.

X. MRA in Conformity Assessment

By mutually recognising the conformity assessment procedures, Mutual Recognition Agreements (MRAs) ensure that products certified in one country are being accepted in a partner country without additional testing or certification, providing businesses with greater confidence and predictability in accessing new markets, thus promoting trade efficiency.

Mutual Recognition Agreements (MRAs) in Conformity Assessment can enhance trade by ensuring that products meet each country's standards, reducing trade barriers and duplication of testing and certification. Some of the key areas and potential institutions to establish MRAs in conformity assessment would include:

- *Pharmaceuticals and Medical Devices*: Ensuring conformity in pharmaceuticals is essential due to safety concerns and regulatory requirements. This includes drugs, generics and medical devices. The concerned authorised entities are Central Drugs Standard Control Organization (CDSCO) in India and Directorate General of Medicines, Supplies, and Drugs (DIGEMID) in Peru. The MRA could cover Good Manufacturing Practices (GMP) compliance and confidentiality.
- *Food Safety and Agriculture*: Food Safety and Standards Authority of India (FSSAI) and National Agrarian Health Service (SENASA) in Peru could enter into conformity assessments in food standards, agricultural products and processed foods that would benefit due to diverse regulatory frameworks.
- *Automobile Components and Machinery*: This sector often involves testing for safety, emissions and environmental standards, and is ripe for an MRA as a result of the different regulatory framework. The Indian Automotive Research Association of India (ARAI) and Peruvian Association of Automotive Companies (APEA) may enter into a MRA facilitating trade between the two countries.
- *Professional Qualifications*: Peru and signed an MRA with the UK in 2021 for encouraging student mobility and facilitating transnational education partnerships. The qualifications covered by the MRA are the UK Bachelor, Master and Doctoral degrees as well as the Peruvian Grado de Bachiller / Título Profesional,

Título de Segunda Especialidad Profesional (excluding medical residency programmes (programas de residentado médico), which are governed by separate regulations), the Grado de Maestro and Grado de Doctor. India and Peru could enter a similar MRA, once they developed mutual understanding of quality assurance processes to ensure that the learning outcomes of the qualifications covered are comparable.

Establishing MRAs in these areas and promoting collaborations between institutions can provide mutual benefits by reducing duplicative testing, lowering trade costs and enhancing market access for both the nations.

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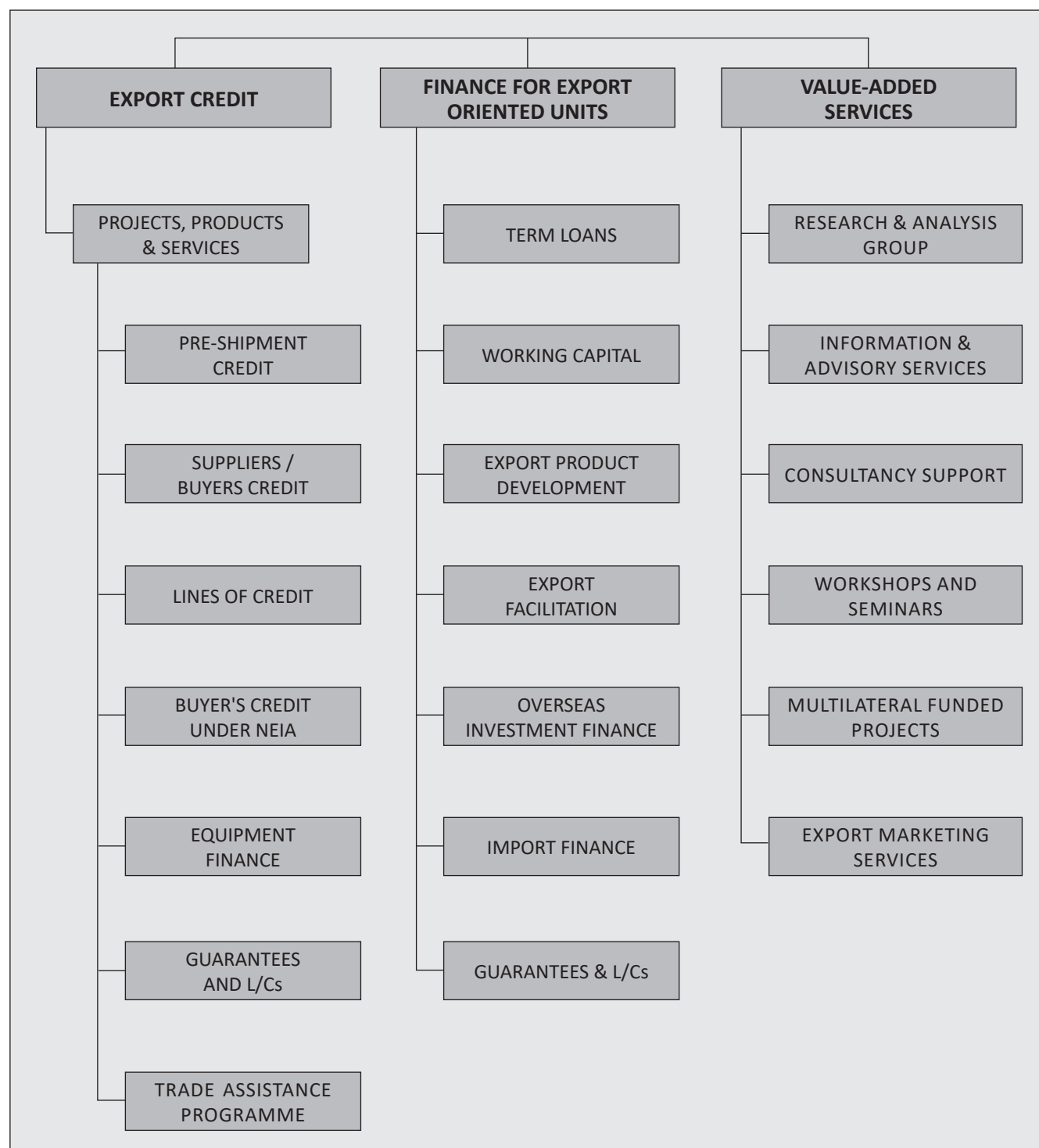
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