

Economic & Commercial Report for the week ending 28th June 2018

1. Analysis of Trade Data (Peru)

Coffee, a star product for the world

According to the Ministry of Agriculture and Irrigation (Minagri), more than 1,000 million people in the world drink coffee daily and consume more than 100 million bags a year. Coffee is one of the main export agricultural products of Peru, and is the most important product, after oil, in the field of business worldwide. It has a high demand in the international market, so in 2017 it reached a global trade level of US \$ 20.3 billion.

Regarding to the International Trade Center figures, Brazil leads the export of coffee to the world, since in 2017 it made shipments worth US \$ 4.6 billion, 23% of the total exported; followed by Vietnam and Colombia, with US \$ 3.11 billion (15%) and US \$ 2.5 billion (12%) respectively. It is worth mentioning that Perú is in the eighth position, with US \$ 706 million (3%). Also, among the main coffee importers are the USA, with 24% of the total imported by the world, followed by Germany (14%) and Italy (7%).

Figures

Taking into account the January-April period, in the last four years, Peruvian coffee exports grew steadily, going from US \$ 65 million in 2014 to US \$ 78 million in 2017, which reflected an average annual growth of 6%. Likewise, in the first four months of 2018, the value of Peru exports of this product was US \$ 83 million, which evidenced an increase of 7% with respect to the same period of 2017.

With regard to export destinations, during the last four years, during the months of January-April, the United States and Germany were positioned as Peru's main markets, since in the accumulated of that period they registered shipments of US \$ 85 million and US \$ 61 million, respectively, which represented 44% of our total shipments to the world. It should be noted that, for the period January-April 2018, Germany has taken the lead, with a value of US \$ 17 million.

Product impulse

A major player in the diversification and promotion of Peru's exportable offer is the Sierra y Selva Exportadora program, which, as part of its Cafetea Peru campaign, has been training small producers specialized in coffee production since 2017, especially the gourmet (due to the growing demand of the international market), in order to improve the income of the coffee families of the country.

It is important to mention that, within the framework of the actions programmed by the Special Coffee Promotion Committee, made up of the Ministry of Agriculture, the Ministry of Foreign Trade and Tourism and PromPerú, it has been proposed, for this year, to position Peru as a country producer of specialty coffees in the North American market. For this, a delegation of 25 companies producing coffee of this type and organizations of coffee producers were presented at the SCAA Global Specialty Coffee, where they achieved a commercial approach with important international buyers, acquired knowledge on new trends and market conditions, and exchanged marketing experiences with global organizations.

Source: ComexPeru

2. News analysis related to Trade

Peru:

i. Adex: Industrial exports totaled US\$ 1,739 million between January and April (*Gestion: 25/06/2018*)

- Between January and April, industrial exports amounted to US\$ 1,739 billion, 18% more than in the same period of 2017. The United States and several countries in South America were the main destinations, according to data from the Manufactures' Management of the Association of Exporters (Adex). The US market, together with Colombia, Bolivia, Chile, Ecuador and Brazil, accounted for 63% of industrial products, according to the analysis.

Rounding out the 'top ten' are Belgium, Mexico, Germany and Italy. Except for the Bolivian destination that closed in red, the other countries presented positive rates.

ii. Regional exports add up to US\$ 10,147 billion (*El Peruano: 25/06/2018*) - Regional exports, not including Lima and Callao, totaled 10,147 billion dollars between January and April of this year, an amount higher by 21.8% compared to that registered in the same period of 2017 (8,330 billion dollars), reported the Association of Exporters. Adex explained that of the 23 regions, 16 had the traditional sector as the most important for shipments abroad. In this case, Arequipa, Ancash, Cusco, Ica, Apurímac, Moquegua and Puno stood out, mainly. While other seven stood out for their offer with added value.

iii. Peru: Profits reinvestment exceeded US\$1.80 billion (*Andina: 27/06/2018*) - Profits reinvestment in Peru amounted to US\$1.827 billion in the first quarter of 2018, a 0.3% increase from the same period last year, informed Central Reserve Bank (BCR). In this sense, the financial institution pointed out that the said reinvestment had totaled US\$1.822 billion in the first three months of 2017. According to its latest macroeconomic report, this result marked the third consecutive month of expansion.

iv. Peru an attractive market for renewable energy investment (*Andina: 21/06/2018*) - Peru is the fifth-most attractive country for renewable energy investment in Latin America, according to the latest Renewable Energy Country Attractiveness Index (RECAI) report by EY (previously Ernst & Young). "The State has provided incentives to invest in renewable energy resources (RER) since 2008, and 64 projects have been awarded through four auctions," said Beatriz De la Vega, lead partner at EY Peru. "A fifth auction is expected to be completed this year to make the most of available resources," she added. It must be noted the estimated investment for the projects awarded in the past four auctions (2009, 2011, 2013, and 2016) is US\$1.95 billion, with a total power of 1,273 MW.

v. FTA with India: SNI asks review negotiation for unfair practice (*El Comercio: 27/06/2018*) - In response to the US complaint to the World Trade Organization (WTO) for unfair competition from the government of India, the National Society of Industries (SNI) called on the Peruvian government to review the negotiation of the Free Trade Agreement (FTA) with India until the scope of the complaint is clarified. "It is not convenient for Peru's interests to negotiate FTAs with countries whose trade policies are being questioned at the multilateral level, and as it has been warned on several occasions, harm the national industry and the jobs generated by this activity" said the president of the SNI, Ricardo Márquez. The head of the industrial association suggested that Peru participate in this process in the WTO against India, as an observer, to have information about the programs applied by that country, and its consequences for global trade.

Bolivia:

vi. The value of exports grows 21% in first four months of 2018 (*El Deber: 25/06/2018*) - The value of Bolivian exports until April 2018 reached US\$ 2,841 billion, that is, 21% more than in the same period last year, according to data from the National Institute of Statistics of Bolivia (INE), processed by the Bolivian Institute of Foreign Trade (IBCE). During this period, gas and hydrocarbons accounted for 35% of domestic sales and registered a positive percentage variation of 23%. On the other hand, minerals accounted for 47% of exports, growing in value by 22%. Meanwhile, imports during the period January-April 2018, registered an increase of 7% in value, with respect to the same period of the previous year.

vii. Evo Morales signed agreements for US\$ 8 billion with Russia and China (*El Deber: 25/06/2018*) - Evo Morales closed his tour of Asia and Europe with the signing of agreements totaling around US\$ 8.251 billion, in the hydrocarbon, commercial and other projects. In Russia, the Bolivian government signed two agreements with the oil companies Gazprom and Acron; with an amount of US\$ 1.2 billion; while the second would generate estimated revenues of US\$ 7 billion. In China, a memorandum of understanding was signed, a protocol of cultural cooperation, a phytosanitary protocol with the Chinese Customs for the export of quinoa and also coffee, an agreement of economic and technical cooperation to provide a non-reimbursable donation for 200 million yuan (around \$30,834,000) and a memorandum of understanding for the financing of the double highway via Bombeo Villa Tunari.

3. Trade Promotion Activities of the Mission in the month of June 2018

Commercial Representative, Arup Saha, made presentation on 'India – Opportunities in Trade, Investment and Tourism' at the following venues in the month of June 2018:

- i. June 01 at Congress of the Republic of Peru at the programme – “Entrepreneurial Encounter : International Commercial Opportunities in China, Russia and India”
- ii. June 11 at University Inca Garcilaso de la Vega, Faculty of Foreign Trade.
- iii. June 27 at the programme “XX Week of Friendly Countries: Challenges in Integration of Commerce in the Pacific” at University of César Vallejo. The University organized the two-day talk programme in association with Santo Tomas University of Colombia.

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Commercial Representative
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