

Economic & Commercial Report for the week ending 15th March 2019

1. Analysis of Trade Data (Peru)

TRADE TRENDS IN LATIN AMERICA AND THE CARIBBEAN IN 2018

The Inter-American Development Bank (IDB) recently presented its estimates of international trade flows in Latin America and the Caribbean (LAC) for 2018, which were based on data available from 26 countries in the region. The report indicates that, at a general level, exports of LAC grew by 9.9% with respect to 2017 with an export value of US \$ 1,077 billion. However, this growth was lower than the registered in 2017, the year in which exports grew by 12.2% and recovered their dynamism after having fallen for four consecutive years.

As for the main importing countries, China and USA continued to lead and, together, accounted for about two thirds of the increase in exports in 2018. Shipments to the North American country, the main export destination of the region, grew 8.6% and was the economy that contributed most to the growth of external sales in the region. For its part, Chinese imports from LAC, with an expansion of 24.2% compared to 2017. Finally, LAC exports to the European Union grew by 10.6%; to the region itself, 7.8%; and to Asia (except China), fell 0.7%.

A LOOK AT SOUTH AMERICA

According to IDB figures, in 2018, exports from South American countries reached US \$ 549 billion that is, 8.9% more than in 2017. However, this rate was lower than that registered in 2017 (+ 15.1% with respect to 2016). In this way, the performance of 2018 reflects the weak growth of shipments that, for most of the countries in the region, was lower than that registered in 2017, with the exception of Argentina, Ecuador and Paraguay.

As for Peru, exports slowed down between 2012 and 2015; however, since 2016 a reversal of this trend has been experienced. Although, according to the Sunat, shipments abroad grew by 7.9% in 2018, the IDB estimated a rate of 10.3% instead. On the other hand, shipments to China (+ 20.5%), USA (+ 19.5%) and the rest of Asia (+ 22.5%) accounted for almost the entire growth of exports. Regarding the main products, those from the mining sector explained 6 percentage points (pp) of the exported value, and copper and zinc were the most outstanding. Regarding this, it should be pointed out that, although the copper price showed a positive performance until mid-2018, as of September it began to decelerate as a result of lower Chinese demand. Likewise, oil and gas exports contributed 2 pp.

For its part, among the partners of the Pacific Alliance (AP), Colombian exports grew the most (+ 14%), followed by Mexico (+ 11.5%), Chile (+ 10.6%) and Peru (+ 10.3%). In the Colombian case, shipments to China (+ 80.8%) and the rest of Asia (+ 41.6%) accounted for almost half of the increase in the value of their exports and their shipments of oil were responsible for 11 pp of their total variation.

LAC exports have maintained their positive dynamism; however, they have shown a deceleration with respect to 2017. In addition, the IDB indicates that the region's trade prospects for the coming periods will depend on global trade tensions. If this continuous it could trigger greater volatility in financial markets, increase the uncertainty, and negatively impact on the regional investment.

Source: COMEXPERU

2. News analysis related to Trade

Peru:

i. **FTA: Peru and India complete fourth round of negotiation for trade agreement** (*El Comercio: 15/03/2019*) - The head of the Ministry of Foreign Trade and Tourism (Mincetur), Edgar Vásquez, announced today the culmination of the fourth round of negotiations between Peru and India. The meetings were held in the city of Lima, between March 11 and 15, where various topics were discussed, such as: market access (tariffs), customs matters, sanitary and phytosanitary measures, technical barriers of trade, trade of services, investment, and movement of people, among others. "This round has been quite fruitful and has allowed substantial progress in the chapters of Technical Obstacles, Sanitary Measures and Customs Matters, which is an important signal that both countries remain committed to achieve this commercial agreement", he said.

ii. **SNI: Minimum wage of India must be considered before signing FTA** (*Gestión: 10/03/2019*) – The president of the National Society of Industries (SNI), Ricardo Márquez, warned the Government that this negotiation will not bring more welfare to the population, by directly affecting the industrial sector. To sustain his position, he explained that workers in Peru have a daily minimum wage of \$ 9.4 against the daily minimum wage of India of \$ 2.47, according to data from WageIndicator.org. "In addition to the policies of subsidies and domestic support in India that are being questioned before the World Trade Organization (WTO)," he said. "How are we going to take advantage of this market when the wage cost of the less qualified in India is the fourth part in Peru?"

iii. **Adex: There are 270 untapped opportunities in India for US \$ 2.273 billion** (*Gestión : 10/03/2019*) - Peru must take safe and accelerated steps towards its competitiveness to take advantage of the potential of a future trade agreement with India, said the president of the Association of Exporters (Adex), Juan Varillas Velásquez. According to the Center for Research in Economics and Global Businesses of the guild, there are 270 untapped opportunities in India for US \$ 2.273 billion, which include products of agro-industry (61), chemicals (49), metalworking (29), steel (24), clothing (23), textiles (15), fishing (11), non-metallic mining (10), wood (5), traditional agriculture (3) and others (30) he said. On the other hand, the commercial advisor of Peru at OCEX New Delhi (India), Luis Miguel Cabello commented that "The population of India can be an advantage, but buyers should be evaluated, with a good market research and getting to know them closely with visits and fairs and missions, you can locate the appropriate niches and get optimal negotiations for the benefit of Peruvian companies and Indian buyers"

Bolivia:

iv. **Arce: Bolivia will lead, for the sixth consecutive year, the growth in South America** (*Cambio: 14/03/2019*) - The Minister of Economy explained that the Bolivian model is the antithesis of /the old neoliberal model. Instead of the private sector being the one in charge of the economy, now the State assumes that role, administers the natural resources and distributes among the population the surplus generated by state enterprises. "We will be, for five consecutive years, the country with the highest economic growth in the region, and counting 2019 it will be six years that Bolivia will lead growth in South America," said Arce Catacora before economists, diplomats and academics at a meeting in the Ministry of Foreign Affairs of Mexico.

Arup Kumar Saha
Commercial Representative
March 15, 2019