

## **Peru - A Potential Trade and Business Hub for Indian Companies**

Peru is the world's largest producer of copper, silver zinc. Its economy grew at an average of 6.4% in the decade 2002 to 2012.

Peru is rapidly emerging one of the more important trade partners for India in the Latin America region. Trade between the two countries is growing impressively and recorded a growth of 35% in 2012 and it was valued at USD1.1 billion. In the next two years ending 2014, trade increased by about 25% to reach over USD1.3 billion.

India's export of engineering products to Peru in 2014 was USD381.4 million, accounting for a share of nearly 2% of total import of engineering products by Peru valued at USD 19431.92 million.

Out of this, export of India's top five engineering products' groups is valued at nearly \$342 million. This works out to a share of 90% of total India's export of engineering products and a little less than 2% in Peru's top five product groups (2 digit HS code) valued at USD17,572.89 million.

At the disaggregated level, motor vehicles/ car has the highest share (over 4.7%) in Peru's total import followed by iron and steel, 2 & 3 wheelers, products of Iron and Steel, and non-ferrous metals and products thereof (Table 1).

<b>Table 1: Peru's Top Imports from the World and India's Share</b>				
<b>Product Code</b>	<b>Product description</b>	<b>Import from World 2014 (USD mn)</b>	<b>Import from India 2014 (USD mn)</b>	<b>Share of India (%)</b>
84	Machinery, nuclear reactors, boilers, etc	6,317.52	32.00	0.51
85	Electrical, electronic equipment	4,588.73	36.07	0.79
87	Vehicles other than railway, tramway	3,982.92	180.85	4.54
72	Iron and steel	1,495.98	68.32	4.57
73	Articles of iron or steel	1,187.74	24.73	2.08
	<b>Total (5 product groups)</b>	<b>17,572.89</b>	<b>341.97</b>	<b>1.95</b>
<i>Source: ITC Trade Map, <a href="http://www.trademap.org">www.trademap.org</a></i>				

In some sectors particularly automobiles and car, China and other countries have emerged major competitors. However, India seems to have garnered better penetration and acceptance.

Within the automobile sector, some Indian companies have become market leaders replacing Chinese companies.

In several engineering sub-sectors/ commodities, India seems to be well positioned as reflected by its shares. This is reflected by the Table 2 below.

**Table 2: Selected Import Commodities of Peru and India's Share more than 1%**

<i>HS Code</i>	<i>Product/commodities</i>	<i>India's share in Peru's total imports 2014 (%)</i>
721041	Flat rolled prod, i/nas, pltd or ctd w zinc, corrugated, >=600m wide, nes	88.5
870321	Automobiles w reciprocating piston engine displacg not more than 1000 cc	65.6
871120	Motorcycles with reciprocating piston engine displacg > 50 cc to 250 cc	24.8
721049	Flat rolled prod, i/nas, plated or coated with zinc, >=600mm wide, nes	6.6
870322	Automobiles w reciprocating piston engine displacg > 1000 cc to 1500 cc	6.5
732690	Articles, iron or steel, nes	2.3
870421	Diesel powered trucks with a GVW not exceeding five tonnes	1.9
<i>Source: ITC Trade Map</i>		

Progress achieved by the two countries in trade and cooperation is reflected and reinforced by several developments over the last few years.

Some important developments relating to Indian companies in Peru:

- Bajaj three-wheelers outsell Chinese three-wheelers in Peru: though Chinese three-wheelers are cheaper, the Bajaj three-wheeler is the market leader, selling 2,000 three-wheelers a month;
- Few years back, TVS arrived in Peru with its three-wheeler, it sells 300 units per month;
- Eight Indian companies have now invested between \$35 million and \$50 million in Peruvian mines. Some others are in the process of finalizing their acquisition;
- TCS and Wipro have established development centres in Peru;
- IFFCO has a major stake in a large phosphate mining operation in northern Peru;
- Zuari Agro, partnering with Mitsubishi, has a 30% stake in a large rock phosphate reserve in Peru;
- Reliance has a representation;
- Major Indian pharmaceutical companies have their representative offices in Peru;
- Other sectors in which Indian companies are active include IT, pharma, electrical equipment, energy and cosmetics.

Following the trend in Indian companies presence in Peru, many Peruvian companies have established their offices in India. Some of these include:

- AJE Peru opened a subsidiary in 2010 in Maharashtra, named AJE India Pvt. Ltd. It manufactures soft beverages. The company has invested US\$ 15 million and plan to increase this in the future;
- Resemen S.A.C., A major Peruvian company, which specializes in mining machinery, opened a subsidiary in New Delhi by the name of Reliant Drilling Ltd., following a major contract it has won from Hindustan Zinc Ltd.

Progress achieved so far, however, does not reduce scope for further development and cooperation. There are still a large number of areas, where Indian presence is negligible. In these cases, share of India in Peru's total import is less than 1% (Table 3).

<b>Table 3: Import Commodities of Peru with India's Share less than 1%</b>		
<i>HS Code</i>	<i>Product/commodities</i>	<i>India's share in Peru's total imports 2014 (%)</i>
730799	Fittings, pipe or tube, iron or steel, nes	0.91
731210	Stranded wire, ropes & cables of iron or steel, not electrically insulated	0.47
731815	Bolts o screws nes, with o without their nuts o washers, iron o steel	0.41
730890	Structures & parts of structures, i/s (ex prefab bldgs of headg no. 9406)	0.29
730419	Line pipe of a kind used for oil or gas pipelines, seamless, of iron o	0.20
722830	Bars & rods, alloy steel, o/t stainless nfw thn hot rolld/ drawn/ extrud, nes	0.17
870210	Diesel powered buses with a seating capacity of > nine persons	0.12
730820	Towers and lattice masts, iron or steel	0.09
722540	Flat rolled prod, as, o/t stainless, nic nfw thn hr, >=600mm wide, nes	0.05
730840	Props & similar equipment for scaffolding, shutterg/ pit-propping, i/s	0.05
730661	Tubes and pipes and hollow profiles, welded, of square or rectangular	0.04
<i>Source: ITC Trade Map</i>		

Above data implies that even though India's trade relations with Peru has improved significantly over the last few years, there is huge scope of further trade and cooperation in engineering sector between the two countries.

Since receptivity of Indian products is quite high in the Peruvian market, efforts should be made to consolidate gains made so far and to explore future trade and business opportunities.

<b>Box 1: Peru offers \$88-bn infra projects to Indian firms</b>
<p>To resurrect and upgrade its infrastructure, Peru is targeting \$80-billion investment under the public-private partnership (PPP) model. As a part of the initiative, Indian firms have been invited to join hands with local entities to develop rail, metro, roads, port, airport, telecommunications and energy projects.</p> <p>The invitation is based on study of PPP initiatives in India. Peru wants experiences and good practices of India be replicated in Peru through partnerships with local companies.</p> <p>There is offer of construction of two metro lines worth \$5-6 billion and a mono rail project in the south of the country to Indian entities. Peru is also keen to partner with India on a project for hydraulic works pertaining to the potable water.</p>
<p><i>Source: NBM Construction Information, <a href="http://nbmcw.com/news/32237-peru-offers-88-bn-infra-projects-to-indian-firms.html">http://nbmcw.com/news/32237-peru-offers-88-bn-infra-projects-to-indian-firms.html</a></i></p>