

PERU

Land of opportunity

With the strongest economy in Latin America, Peru is the continent's investment hotspot

Centuries after the famous Inca civilization roamed its majestic mountains, lush jungle and attractive coast, the Republic of Peru is making history of a different kind through record foreign direct investment – including \$3 billion from China – thanks to its booming economy and vast natural and human resources.

Rich in culture, history and potential, the ambitious country of 30 million people has made impressive socioeconomic progress over the past decade and transformed itself into a modern and business-friendly destination for investors from around the world.

With a strategic location on the west coast of Latin America, Peru is bordered by Ecuador and Colombia to the north, Chile to the south and Brazil and Bolivia to the east.

The bustling capital Lima, also known as the “City of Kings”, is home to 12 million people and acts as the country's commercial, industrial and manufacturing hub. Other major cities include Arequipa, Trujillo, Chiclayo and Tacna.

However, Peru's most famous city, Cuzco, sits high in the stunning Andes and is a magnet for tourists as the gorgeous city is the gateway to the magnificent Inca ruins of Machu Picchu.

A few hundred miles to the west, and Lima's well-preserved historic center – declared an UNESCO World Heritage Site in 1988 – is the seat of government with Congress and key ministries located in the attractive area.

Elected last year, Peruvian President Ollanta Humala vowed to build on the steady socioeconomic progress made under his predecessor Alan García, with his approach reassuring foreign investors keen to take advantage of countless investment opportunities.

High-level talks

In a meeting with Chinese President Hu Jintao in Hawaii in November last year, President Humala recognized the vital role major trading partners like China play in Peru's future, and said he attaches great importance to developing relations with China and working with Beijing to promote the bilateral strategic partnership.

The pair recently celebrated the 40th anniversary of diplomatic ties and in 2009 signed a free trade agreement to enhance economic cooperation.

China is now the leading destination for Peruvian goods, importing nearly \$7 billion of products in 2011, ahead of Switzerland and the United States.

That figure represented 15 percent of the Andean country's total exports last year, with exports rising 25 percent from previous year to nearly \$48 billion.

Minerals, fish and agricultural goods comprised nearly three quarters of the country's total exports to countries including China. During the talks in Honolulu, the two heads of State exchanged views in a “candid and in-depth manner” as they looked to build on the solid platform created by a strategic partnership signed in 2008.

Four-point plan

According to President Hu, bilateral trade stands at \$10 billion and the pair are making “substantial progress in trade and economic cooperation and closely coordinate with each other in regional and international affairs.”

In order to build on these strong foundations, the Chinese leader suggested a four-point plan to improve bilateral ties even further.

The first was the continuation of high-level contact with regular exchanges of views on issues of

nology and tourism,” he said, adding he wants to see more cultural exchanges between the two countries and more consultation and coordination in other areas.

Blessed with a wealth of precious minerals such as gold, silver, copper, zinc, iron ore and lead, Peru's GDP jumped nearly 7 percent in 2011, with robust growth forecast for this year and next, supported by millions of dollars of FDI.

Given these substantial deposits, mining forms the backbone of the country's economic activities, ahead of agriculture, fisheries and tourism.

In a December 2011 report, the International Monetary Fund (IMF) said: “The Peruvian economy emerged largely unscathed from the 2008–09 global crisis supported by strong fundamentals and proactive macroeconomic response. The recovery was propped by significant macroeconomic policy stimuli, a quick turnaround of terms of trade and favorable external financial conditions, with renewed capital inflows.”

Turning to the future, the report continued: “Against a background of heightened risks to the global outlook, policies should remain flexible. Peru's solid fundamentals and scope for policy response are likely to mitigate the effects of a weak world economy. Once international turbulence subsides, strong growth prospects in Peru and abundant international liquidity could increase capital inflows.”

According to Prime Minister, Oscar Valdés, Peru is the “land of opportunity” but that needs support from other countries to achieve its full potential. “Peru needs great investment in infrastructure such as roads, ports, airports, and in energy where we require more hydroelectric and thermolectric plants,” he said.

Officials are keen to attract investors to more rural parts of the country and are focused on “bringing jobs and investment to the poorest regions of the interior”, he added. “To bring this investment we must interconnect the country better, make roads, bring energy, telephony, education,” Valdés stated. “It is the mission of this government to decentralize the country's industrial activity that is concentrated in Lima. We are encouraging investors to take factories out of Lima and settle there.”

“We are working hard to strengthen ties between the two countries. In terms of export targets, we will gradually increase



PROVIDED TO CHINA DAILY

Hidden high in the magnificent Peruvian Andes, the ancient city of Cuzco is a popular tourist destination.

them. Ten years ago, Peru's exports were worth \$10 billion, now we are at \$48 billion and by 2016 we want to reach \$86 billion. China is the key to meeting these goals.”

Robust banking sector

Since the turn of the century, Peru's fast-growing economy has been one of Latin America's best performers, with the robust, profitable and well-capitalized financial sector providing a strong foundation for this success.

Backed by a strong regulatory framework, the banking and financial services industry has expanded in line with the huge flows of FDI and growing middle class that enjoys higher salaries and requires greater access to credit facilities like loans, credit cards and mortgages.

Peru has more than 60 financial institutions, of which about 15 are commercial banks, and the majority controlled by foreign owners.

Founded in 1897, Interbank has become a leading player in the Peruvian banking sector and is regarded as one of the country's top four financial institutions. In early 2007, the firm opened an office in Shanghai as part of its strategic development. Two years later it launched a trading company.

Interbank has remained one of the republic's most innovative retail and commercial banking institutions and seeks, above all, to promote businesses in the country. Through a partnership with Bank of China, the company established a “China Desk” that provides help and support to Chinese enterprises chasing business and investment interests in Peru.

Interbank ATMs accept cards issued by Chinese bankcard association Union Pay.

“Following the launch of the representative office and China Desk, we started seeing a growing number of entrepreneurs and Chinese companies entering Peru,” said Pedro Ayin, head of Global Trade and Products.

“More Chinese businesses are arriving in Peru, mainly concentrated in mining, agro-industry,

run business.

The firm now boasts a fleet of 28 vessels, five plants and 1,400 employees. The firm's key products include fishmeal – a source of protein obtained by cooking, pressing and drying raw fish, specifically anchoveta – and fish oil, which is produced during the fishmeal process.

Headquartered in Oslo, Norway, Copeinca is a major investor in research and development and

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PEDRO AYIN
HEAD OF GLOBAL TRADE AND PRODUCTS, INTERBANK

and infrastructure but some are in telecommunications. The FTA with China has greatly helped the commercial trade between the two countries. This is highly enhanced by the arrival of more Chinese investments and businesses. China is a great opportunity that had to be taken. Our customers say ‘the best way to know China is to go to China.’

With nearly 2,000 miles of coastline, 200-mile maritime boundary and favorable weather conditions for fishing, Peru's fisheries sector is extensive and offers profitable returns for foreign investors given the high domestic and foreign demand for fish, seafood and fishmeal – used to feed animals.

One of the most important fishing companies in Peru, Corporación Pesquera Inca (Copeinca) was founded in 1994 as a family-

committed to environmentally-friendly fishing methods, sustainable development and social responsibility.

“In our products, Peru and China are in charge: China as the main consumer and Peru as the main producer and exporter. Europe was our main market for a long time but stopped 10 years ago when China started to become relevant,” said Copeinca CEO, Pablo Trapunsky.

“In 2010, we made an investment plan of \$80 million that included new ships and the technological conversion of our plants. We intend to do something else with the products in order to give them more value, increase the turnover and hence, get something more than what we already have.”

InFocus provided the story

Traditional values, professional organization

A business run on family values, Copeinca has made a huge splash on Peru's seafood exports in recent years. Having outgrown its original structure, the founding family appointed independent professionals to the board and management, and in doing so, have turned around the fortunes of the fishmeal and fish oil producer without compromising ethics. Highly efficient, Copeinca now enjoys a leading position in the market.



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We facilitate your business in Peru

Interbank China Desk

A team of senior executives from Interbank and Bank of China in Peru will provide you:

- > Tailor-made solutions for trade finance, treasury and investment in Peru
- > Information about companies and projects in Peru
- > Networking opportunities with both public and private sector organizations

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Interbank

Fisheries sector reels in foreign investors

Blessed with rich marine life, Peru boasts the second largest fishing industry in the world

Given its strategic geographical location and favorable climate, Peru is a leading source and exporter of fish and fish-related products to countries around the world, including China, with several deep-sea fishing companies competing for precious catches.

Home to several hundred species of fish, Peru's nutrient-rich waters teem with high-value species like sea bass, mackerel, tuna, herring, anchoveta and other marine life such as crab, lobster and mollusks. While the warm ocean current known as "El Niño" occasionally negatively impacts the industry, the sector is a major employer and key source of foreign exchange revenues.

According to government data, the fisheries industry generates around 10 percent of GDP. Exports for 2011 reached nearly \$1.05 billion, of which about \$412 million came from sales of frozen giant squid.

A report published in 2010 by the Food and Agriculture Organization of the United Nations confirms Peru as the second largest marine and inland capture fisheries industry in the world at 7.4 million tons.

That figure was exactly half of the 14.8 million tons caught by global leader China. Canned fish and frozen fish are among its most popular exports.

The traditional and important industry is regulated by the Ministry of Production and supported by the Peruvian Institute of the Sea.

PRODUCE's regulatory framework includes the setting of the quota catch system and implementation of temporary bans to ensure natural resources have sufficient time to recover and replenish.

"Peru is a leading fishery country and is the second in the world in terms of fish landings and the foremost exporter of fishmeal," said Peru's Private Investment Promotion Agency.

"This is because of the high yield and the nutrient rich waters of the

Peruvian sea, the existing diversity of species and the leadership of national and international enterprises with operations in the country," he said.

The Peruvian fishery sector is keen to develop new products that achieve higher prices in the global marketplace, added ProInversión, before highlighting some of the many investment opportunities available in areas such as fleet replacement, cold chain, processing, logistics and aquaculture.

"In the fishmeal and fish oil fields, there are possibilities to invest in new plants for prime fishmeal production, which sell at a higher price. There are diverse projects for developing aquaculture of high-value species, based on the available fishmeal," said Eduardo McBride, president of the Peru-China Chamber of Commerce.

“We are a very creative and dynamic company that has developed our business professionally and sees the opportunities our country's geography presents.”

ROSSANA ORTIZ
CEO, PESQUERA EXALMAR

"The private sector is making significant investments, particularly in frozen and canned seafood products. Special presentations with specific sauces or spices are also being developed to meet growing demand from around the world," he said.

He also noted, "with China preparing to invest around \$10 billion in Peru over the next five years, sectors like fisheries and manufacturing offer investors huge potential.

"China is projecting that 60 percent of its total global investments are going to be directed towards Latin America by 2020," he disclosed.

"Chinese investment in Peru has traditionally focused on mining and hydrocarbons but the current trend shows China betting on Peruvian manufactured products and high technology," he said.

Peruvian Prime Minister, Oscar Valdés, said such substantial foreign investment will help reduce extreme poverty through the creation of employment opportunities and higher tax revenue. He urged investors to focus on areas outside of the mining industry, such as forestry, fisheries and tourism.

"We are blessed to have such great natural resources and we now have to develop these without harming the environment and learn how to make better use of our ocean and vast resources."

Efficient suppliers

Established in 1976 through the acquisition of a fishing vessel called Cuzco 4, Pesquera Exalmar S.A.A. has grown into one of the leading commercial fishing companies in Peru. The company produces around 15 percent of the country's fishmeal and fish oil and is focused on long-term sustainability.

The company, which has a sister firm focused on agricultural products like asparagus and grapes, strives to be "recognized worldwide as the most efficient supplier of high protein hydro-biological products and provide customers quality, eco-efficiently prepared products, based on constant innovation and the working capacity of its staff".

Pesquera Exalmar's activities center on the extraction, transformation and commerce of natural marine resources for indirect human consumption like fishmeal and fish oil, as well as direct human consumption products such as fresh seafood. Over the past few years, the com-



PROVIDED TO CHINA DAILY

Blessed with incredible marine life, Peru's extensive waters are among the richest in the world for fish and mollusks.

pany has made several acquisitions and now operates 24 vessels and five processing plants that are strategically located along the coast.

As a result of this successful expansion drive, the firm holds around 10 percent of all fishing quotas in Peru. In November 2010, Pesquera Exalmar listed on the Lima Stock Exchange in a share issue that raised more than \$90 million.

"We are a very creative and dynamic company that has developed our business professionally and sees the opportunities our country's geography presents, while always being aware of our responsibility to the environment," said Pesquera Exalmar CEO, Rossana Ortiz.

"Peru has many opportunities in the mining sector, the fishing sector, and other industries. In the fishing sector, China is a good destination for fishmeal, fish oil and other aquaculture products.

Asia's food culture is linked to the sea and one of Peru's big strengths is the sea, so there is great potential and optimism for trade with regard to this sector."

As part of its investment drive, Pesquera Exalmar recently launched a new business unit focused on direct human consumption products, which included the construction of new plants in northern and southern Peru to process catches.

In addition, several large vessels were fitted with modern refrigerated sea water systems to guarantee catch preservation. Fresh fish for direct human consumption are aimed at major markets in Europe, Africa and China.

"We have a processing plant at Paita in the northern region of Piura which freezes seafood for direct human consumption," continued Ortiz. "We chose Paita as many species abound there, such as mollusks, prawns, cuttlefish – a squid that is super popular in China and Asia – and the mahi-mahi, a fish that is very easy to digest. We constructed another plant at Ica in the south because there are a lot of cuttlefish there, as well as jack mackerel, mackerel and hake."

"China has a huge population that needs to eat and we provide a product they need. Fishmeal is very important to the Chinese because

it is what their pigs eat and the only substitute is milk which is much more expensive."

Following the injection of capital in late 2010, Pesquera Exalmar is seeking to obtain more fishing quotas and "studying other acquisitions", Ortiz added.

"Another segment (where we can invest) is fish farming ... China is going to continue growing and demand for aquaculture and Omega 3 fish oil will continue to increase."

Offshore innovation

Founded less than a decade ago, TASA is currently the largest producer of fishmeal and fish oil on a

“TASA has always opted for quality and never put production volumes first. This has led us to excel and position ourselves along the coast of Peru.”

CARLOS PINILLOS
CEO, TASA

global level, thanks to its fleet of 50 fishing vessels — equipped with state of the art electronic equipment — and 13 modern plants strategically located along the Peruvian coast.

With a focus on quality not quantity, TASA excels in the extraction, transformation and trading of hydrobiological resources for direct and indirect human consumption. It also offers shipyard services for the construction, maintenance and repair of vessels and marine instruments.

Since TASA operates in the marine area, it is concerned with exhaustive compliance with the environmental norms to assure that it does not damage the ecosystem. For this it applies a fishing management and industrial management model that is exemplary because of its eco-efficiency and respect for biodiversity.

By the end of 2012, it will have reconverted all of its plants for the use of clean technologies under the "Steam Dried" system; additionally, 14 of its vessels have modern refrigeration systems which guarantee an optimum supply for human consumption.

Carlos Pinillos, CEO of TASA, stated the firm's success is due to a

combination of factors, the most important being its long term strategic proposal.

"We proposed what we wanted to be, what we intended to achieve and all we did was think of how it would be executed and allocate the tools to achieve that" he explained. "One of the first principles outlined was to have a processing plant every 200 kilometers, for the purpose of being close to the catch zone, being able to deliver the fish to the port as soon as possible and thus be more efficient.

"TASA has always bet on the quality of its products; for that reason, it has never put production volumes before that. This has led us to stand

out and position ourselves all along the coast of Peru. We also have the capacity to innovate and provide the world with high quality marine foods and ingredients.

"We believe that in the future, the increase in exports of fish oil will be the result of the Chinese population being more aware of the benefits of Omega 3. Many countries have realized the advantages of this compound, not only in nutrition, but also in the prevention of illnesses and, subsequently, the important savings in health matters."

TASA has strengthened its identity as an innovating, eco-efficient and socially responsible company by receiving four distinctions in 2011 from prestigious Peruvian entities such as the Ministry of the Environment, the Ministry of Foreign Trade and Tourism, the Peruvian University of Applied Sciences and the Association Peru 2021.

InFocus provided the story

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Adding sophistication to our product line

One of the leading companies in the fishing industry in Peru, Exalmar is dedicated to the extraction, transformation and commerce of sea resources for human direct and indirect consumption. Having made our name in fishmeal exports, we are now looking to become equally strong in the export of products for human consumption.

This move toward more sophisticated commodities requires better care at our plants and we are investing, and seeking more investments, as we continue adding value and building sustainable growth.

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Innovative, Eco-efficient
and Socially Responsible



- Fishmeal and fish oil of excellent quality
- Traceability at all stages of production
- Certified systems which guarantee the harmlessness of the product
- Commitment to the sustainability of the resource
- Promotion of human consumption and healthy nutrition

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