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A. Foreign investment in Latin American countries

i. General rules and restrictions

A. GENERAL INVESTMENT GUARANTEES

The Peruvian constitutional and legal framework opens the economy to private investment, which is practised in the context of a social market economy. It also promotes competition and ensures foreign investment in any type of company and industry.

Prices are governed by the market and free competition, except for public services, which are administratively regulated. The Peruvian Constitution also recognises freedom of trade and industry, and of exports and imports.

In the early 1990s, investment guarantees were introduced, such as the right to freedom of ownership and disposition of foreign currency, and repatriation of capital and dividends, to all natural and legal persons, both national and foreign.

It is also guaranteed that there shall be no discrimination or differential treatment in FX, prices, customs tariffs or duties among investors based on sector or type of activity, or geographic location, nor between natural or legal persons, domestic or foreign.

ii. Foreign investment promotion

A. GENERAL

There are very few restrictions to foreign investment in Peru. Article 71 of the Peruvian Constitution provides that foreigners – individuals or entities – are prohibited from owning, directly or indirectly, real estate and mineral extraction rights, among others, within 50 kilometres of the Peruvian borders. Nonetheless, this rule may be subject to exception in cases of national interest or public necessity.

The general regulatory framework for foreign investment is provided by Legislative Decree Nos 662 and 757 and their specific regulations. Article 63 of the Peruvian Constitution of 1993 provides that foreign investors shall have the same rights as domestic investors.

Investors are guaranteed the right to freely transfer abroad the whole of their capital, dividends, profits, royalties and consideration in freely converted currency and without any authorisation whatsoever.

Where appropriate, to convert national currency into foreign currency, they shall be entitled to the most favourable exchange rate.

Notwithstanding the restriction set forth in the aforementioned Article 71 of the Peruvian Constitution, the General Law of Hydrocarbons regards the exploration and exploitation of hydrocarbons to be of public necessity and national interest; therefore, these activities are exempt

from the aforementioned restriction, and foreigners may perform these activities within the full national territory.

B. TAXATION OF FDI

Foreign investments carried out through an incorporated company in Peru are subject to the same tax rates and deductions as those of Peruvian-owned companies. In the application of the non-discrimination rule and 'National Treatment' principle, there shall be no differentiation based on the nationality of the investment.

The Superintendence of Customs and Tax Administration (Superintendencia Nacional de Aduanas y de Administración Tributaria ('SUNAT')) is the governmental authority in charge of collecting taxes and customs duties.

1. Income tax

Income tax is an annual tax that levies income obtained by taxpayers domiciled in Peru, regardless of the place in which the income was generated. Additionally, this tax levies the Peruvian source income obtained by non-domiciled taxpayers.

Pursuant to Peruvian legislation, Peruvian source income is classified into the following categories:

1. first category: income produced from the lease, sublease and assignment of goods;
2. second category: profit sharing and capital gains income not included in any other category;
3. third category: income related to business activities;
4. fourth category: independent services income; and
5. fifth category: labour income and others as established by law.

The following are the main aspects of income tax applicable to resident and non-resident taxpayers:

i. Resident

Individuals

In general, income obtained by individuals domiciled in Peru (other than income derived from their business activities) is taxed through the following methods of assessing their income tax:

- Capital gains income: comprises first and second category net income, excluding dividends and any other distribution of profits. Capital gain income is taxed at a rate of five per cent of the gross income (6.25 per cent of the net income). In the case of profit distributions, the applicable rate has been modified recently to a five per cent withholding tax rate on dividend distributions.

Fiscal years	Rate (%)
2015–2016	6.8
2017–2018	8.0
2019 onwards	9.3

- Labour income: comprises fourth and fifth category net income. Resident individuals will be levied on the result of adding their net labour income to their foreign source income. The former, on the other hand, will be the result of deducting seven tax units (*unidades impositivas tributarias* (UIT)) from the taxpayer's annual fourth and fifth net incomes. A cumulative progressive tax scale shall be applied to the resulting amount. Resident individuals are entitled to certain itemised deductions (eg, rental payments, mortgage payments and medical expenses), provided certain requirements are met and subject to a certain limit.

Legal entities

Corporate income tax is determined by applying a rate of 28 per cent on the total amount of income for the fiscal year, minus expenses incurred in generating said income. Profit sharing carried out by companies is taxed with an additional five per cent. Current regulation establishes a progressive decrease of the corporate income tax rate, as explained below:

Fiscal years	Rate (%)
2015–2016	28
2017–2018	27
2019 onwards	26

Profit sharing carried out by companies is taxed at an additional rate. This rate will not be applicable when the beneficiary of the dividend is another resident legal entity.

The fiscal year begins on 1 January and ends mandatorily on 31 December. Annual tax is assessed at the end of each fiscal year. Advance pre-payments are deducted from the tax amount.

Net income obtained by taxpayers can be offset against losses under two different systems: (1) offsetting the losses (until exhausting the amount) against income obtained in the following four fiscal years; or (2) offsetting the losses against 50 per cent of the net income obtained in each fiscal year, without any time limits or statute of limitations.

Statute of limitation

The possibility that the Peruvian Tax Authority (SUNAT) will start any action to determine the tax liability of a taxpayer and/or to demand payment and apply sanctions expires after four years for taxpayers who have presented the applicable tax return, and six years for those who have not submitted a tax return. Notwithstanding the aforementioned, the term will be ten years when the withholding or collection agent has failed to pay the withheld or collected tax.

ii. Non-resident

Income tax for non-resident taxpayers is only levied on Peruvian source income. The following are considered Peruvian source income:

- produced by capital, when considered to be located or economically used in Peru;
- dividends generated by companies domiciled in Peru;
- income resulting from business activities carried out in Peru;
- income resulting from individual work carried out in Peru;
- income obtained from the sale, redemption of shares and other securities representing equity of companies incorporated or established in Peru;
- income obtained from digital services when the latter is economically used or consumed in Peru; and
- income obtained from technical assistance that is economically used in Peru.

The income tax on the aforementioned Peruvian source income shall be assessed by applying the following tax rates:

Individuals

- dividends and other profit sharing: 6.8 per cent, 8.0 per cent or 9.3 per cent according to the fiscal year of distribution;
- income obtained from the sale of real estate: five per cent;
- interest when paid or credited by a person domiciled in Peru that generates third-category income: 4.99 per cent. This rate shall apply provided: (1) the parties are not related; and (2) the interests are not related to operations carried out from or through countries or territories with low or no taxation, in which case the rate will be 30 per cent;
- capital gains from the sale of securities carried out outside of the country: 30 per cent;
- other income derived from capital: five per cent;
- income from third category generating activities: 30 per cent;
- labour income: 30 per cent;
- live entertainment performed by non-domiciled artists and performers: 15 per cent;
- income from royalties: 30 per cent; and
- other income not previously indicated: 30 per cent.

Legal entities

- interest arising from cross-border loans, provided that they meet certain statutory requirements: 4.99 per cent;
- income derived from the lease of ships and aircraft: ten per cent;
- income from royalties: 30 per cent;

- dividends and other forms of profit sharing received from resident legal entities: 6.8 per cent (tax years 2015–2016), 8.0 per cent (tax years 2017–2018) and 9.3 per cent (tax years 2019 onwards);
- technical assistance: 15 per cent;
- live entertainment performed by non-domiciled artists and performers: 15 per cent;
- income generated from the sale of securities inside the country (ie, within the Peruvian Stock Exchange): five per cent;
- interest from bonds and other debt instruments and deposits as set forth by Peruvian Banking Law: 4.99 per cent; and
- other source of income: 30 per cent.

2. *Transfer pricing*

The value assigned to goods, services and other benefits for income tax purposes must be at fair market value. If the value assigned in a transaction differs from fair market value, either by overvaluation or undervaluation, SUNAT may adjust the aforementioned value for the different parties of the transaction.

In case of transactions between related parties or with parties located in tax haven jurisdictions, the transfer pricing standards (ie, arm's length principle) must be applied in order to avoid the income tax to be paid in the Peru being less than the income tax that would have been otherwise levied if fair market value principles were applied.

3. *VAT*

VAT is a tax levied on value added in each transaction at various stages of the business cycle. The applicable rate is: 18 per cent (including the two per cent municipal promotion tax). The VAT is levied on the following operations in Peru:

- sale of personal property;
- the provision of services;
- the use of services within Peruvian territory when provided from abroad;
- performance of construction contracts;
- the first sale of real estate built directly by constructors;
- the import of goods; and
- the taxpayer: the legal entity performing the taxable activity, that is, who sells the goods or provides the services, etc.

VAT paid when purchasing goods and services may be used as a tax credit. In the case of taxpayers exporting goods or services, a tax credit not applied against the VAT of taxable operations may be applied against other taxes.

4. *Tax on net assets*

The temporary tax on net assets is a tax that is levied on the value of a company's net assets as of 31 December of the prior year.

Net asset's value	Rate (%)
Up to PEN1m	0
More than PEN1m	0.4

The obligation becomes due on 1 January of every year and is paid in April of each year, according to a payment calendar established by the Peruvian Tax Authority.

All third-category income generators (including branch offices, agencies and other permanent establishments of non-domiciled companies) will be levied with the temporary net assets tax, provided they started operations before 1 January of the current tax year (thus, eg, a company starting operations on 2 January 2015 would be subject to this tax as of 1 January 2016 and would be levied pursuant to the value of its net assets on 21 December 2015).

5. *Financial transactions tax*

The financial transaction tax levies the entry or exit (credit or debit) of money in accounts held in entities that are part of the Peruvian financial system, and money transfer operations, irrespective of the means used (subject, however, to certain exceptions).

The tax obligation becomes due when crediting or debiting the bank accounts. Companies within the Peruvian financial system will act as withholding agents, and will be responsible for the payment of said tax to the Peruvian Tax Authority.

The applicable rate is currently 0.005 per cent on the value of the affected transaction. The financial transaction tax is deductible purposes.

6. *Excise tax*

Excise tax is levied on: (1) the sales of goods within the country; and (2) the import of certain goods, such as fuel, soda, mineral water, sugar-sweetened and alcoholic beverages, cigarettes, luxury goods, new vehicles (other than electric, gas or hybrid) and gambling.

The tax is either a fixed amount or an amount determined by applying a percentage rate.

7. *Tax incentives*

Among others, Peruvian laws and regulations provide the following tax incentives:

8. *Special regimes*

Taxpayers may obtain a refund of VAT levied on imports and/or local purchases of new capital goods, new intermediate goods, services and construction contracts, carried out during their pre-production stage.

In order to benefit from this regime, it is necessary to execute an investment agreement with the Peruvian Government. Individuals or legal entities may make use of this special regime regulation

if they invest in any sector of the economy that generates third-category income and meets certain statutory requirements.

In addition, there are special regulations for early recovery for certain economic sectors, such as hydrocarbons, mining, public infrastructure and utilities, among others.

C. LEGAL STABILITY AGREEMENTS

A legal stability agreement (LSA) is a contract with force of law that may be entered into with the Peruvian Government both by investors and recipient companies, regardless of the economic activity performed by the latter. By means of LSAs, the Peruvian Government grants stability to an investor (both foreign and/or local) and to the Peruvian company receiving such investment ('Peruvian Co'), over certain regulations (legal framework) in force at the time of executing the LSA, for the entire term of the corresponding agreement. As a general rule, LSAs have a validity term of ten years or the length of a particular concession.

ProInversion is the national authority in charge of representing the Peruvian Government in the execution of LSAs, as well as supervising their compliance by beneficiaries. Agreements with local investors and Peruvian Co are executed, in addition to ProInversion, by the corresponding ministry of the economic activity to which the investment is destined.

In order to execute an LSA, investors shall commit to carry out investments in Peruvian Co of at least US\$10m if Peruvian Co operates in the mining and hydrocarbon industries, or US\$5m for any other industry.

On the other hand, Peruvian Co may equally enter into an LSA for which it shall receive investments from at least one investor that complies with the legal requirements.

1. Legal aspects stabilised by LSAs

i. For investors

1. Income tax regime: this implies that the dividends and any other form of profit distribution will be subject to income tax at the rate in force at the time of entering into the relevant agreement; the stability regime referred to herein protects the investor from any amendment to the income tax regime, and such modifications shall not affect the investor, both in the case of a rise or reduction of the income tax rate;
2. free availability of foreign currency;
3. right to freely remit abroad capital, profits, dividends and royalties, with no limitation or restriction whatsoever;
4. right to use the most favourable exchange rate available in the market; and
5. right to non-discrimination.

It is important to note that national investors are granted only the benefits detailed in 1, 2 and 5 above.

ii. For Peruvian Co

1. Income tax regime: this implies that: (i) any amendment to the stabilised regime regarding rates, deductions or calculation of Peruvian Co's taxable income will not apply thereto; and (ii) Peruvian Co. will be subject to income tax at the rate in force at the time of entering into the LSA. In order to benefit from tax stability, the investment shall represent more than 50 per cent of Peruvian Co's share capital plus reserves on the day prior to the execution of the LSA. Additionally, the investment shall be destined to the enhancement of Peruvian Co's productive capability or to its technological development.
2. Employment regime: this implies that Peruvian Co may employ its workers under any of the forms permitted by current regulations governing private labour.
3. Promotion of exports: for example, the systems covered by the current customs regulations (eg, temporary admission for active improvement, drawback and replacement of goods under franchises) and the special regime favouring exporters covered by the Value Added Tax Act.

LSAs entered into by an investor provide stability only to the investment committed under the LSA, while, on the contrary, Peruvian Co acquires stability over its entire equity. This means that it is perfectly feasible for an investor to be the titleholder of both stabilised and 'non-stabilised' shares of Peruvian Co.

D. INTERNATIONAL AGREEMENTS

1. Double taxation

The following double tax treaties executed by the Peruvian Government are currently in force: Brazil, Canada, Chile, South Korea, Mexico, Portugal, Switzerland, and with the member countries of the Andean Community (ie, Bolivia, Colombia and Ecuador).

2. Multilateral agreements on trade and integration

Peru is a founding member of the WTO. Consequently, WTO rules on anti-dumping, subsidies and countervailing measures, as well as liberalisation of markets and technical barriers to trade, among others, are applicable in the country.

Similarly, Peru is currently a member of the Andean Community, which is formed by Peru, Bolivia, Ecuador and Colombia. It is noteworthy that Venezuela was a member of the Andean Community; however, it denounced the agreement in April 2006. The following are associate states to the Andean Community: Chile, Brazil, Argentina, Uruguay and Paraguay.

Following the Relief Programme agreed by the Andean Community, the trade of goods between Bolivia, Colombia, Ecuador and Peru enjoy total tariff relief, constituting a free trade area. Peru joined the programme according to a relief schedule established by Decision 414 of the Andean Community.

On the other hand, Peru is an associate state to the agreement between countries in South America called MERCOSUR. That agreement has been entered into by Argentina, Brazil, Paraguay, Uruguay, Venezuela (currently suspended) and Bolivia.

Peru has signed agreements with other countries in Latin America under the rules of the Latin American Integration Association (Asociación Latinoamericana de Integración (ALADI)) and has entered into trade agreements with MERCOSUR together with other members of the Andean Community.

In addition, Peru is a member of the Pacific Alliance with the leading Latin American economies (Mexico, Chile and Colombia), and has recently entered into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ('CPTPP') along with important economies of the Pacific.

3. Global Forum on Transparency and Exchange of Information for Tax Purposes

Peru is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, which is a forum created by the OECD to implement the automatic exchange of financial information of taxpayers worldwide between member countries, for the purposes of fighting tax evasion.

In addition, Peru has executed investment protection agreements that are currently in force, either in the form of bilateral investment agreements or through an investment protection chapter contained in an FTA.²²

The main areas covered by trade agreements are customs affairs and trade facilitation; technical barriers to trade; sanitary and phytosanitary measures; trade protection; services, establishments and capital movement; public procurement; intellectual property; competition; dispute resolution, horizontal and institutional affairs; trade and sustainable development; and technical assistance and skill building; among other matters.

iii. General legal framework

A. VEHICLES TO INVEST

Foreign individuals or entities may conduct business in Peru either directly or through a Peruvian corporation or branch. Peruvian law recognises investors' freedom to incorporate at their option, in order to conduct economic activities.

Certain activities related to banking and mining may be required by law to be performed through a particular form of company. Some sectors may also require local incorporation or branch.

The three legal types most commonly used by investors are corporations, LLCs and branches. The General Corporations Law governs three special types of corporation: (1) the ordinary corporation (*sociedades anónimas* (SA)); closely held corporation (*sociedad anónima cerrada* (SAC)), and public corporation (*sociedad anónima abierta* (SAA)), which differ from each other regarding the number of shareholders allowed, as well as listing of their stock.

B. HIRING FOREIGN WORKERS

When hiring foreign personnel, it is necessary to execute a written employment contract according to certain formalities and limitations (ie, its term shall not exceed three years, which could be extended for similar periods).

²² For the full list of Free Trade Agreements entered into by Peru, please refer to www.acuerdoscomerciales.gob.pe

Foreign employees should not exceed 20 per cent of the total workforce, and their combined salaries should not exceed 30 per cent of the total company payroll.

The applicable law provides for exceptions to these restrictions, such as high-level executives of a new company, high-level executives going through corporate restructuring, qualified professionals or technicians, or personnel from companies that have entered into agreements with entities in the public sector. These restrictions do not apply either in case of: (1) citizens whose spouse, ancestors, descendants and siblings are Peruvian; and (2) citizens whose countries of origin have entered into an international dual nationality or a labour reciprocity treaty (eg, Spanish citizens, and citizens from countries of the Andean Community and MERCOSUR).

Foreign employees may only begin their services once the contract has been approved by the Ministry of Labour, and when the adequate migratory status (resident visa) has been obtained. Foreign employees may not be included in the payroll until they fulfil both requirements.

Should preliminary arrangements need to be made in Peru before beginning to work (eg, signing contracts or participating in a meeting to negotiate employment conditions), it is advisable to enter Peru with a business visa. As a general rule, the business visa must be requested at the Peruvian Consulate of the foreigner's home country; however, as an exception, there are some nationalities for which foreigners are allowed to request a business visa at the migratory control post when entering Peru. The countries that have this benefit are the Pacific Alliance members (Chile, Colombia and Mexico), Brazil, China, India, Indonesia, Panama and most European countries.

C. CUSTOMS

In Peru, WTO rules on import valuation are applied.

The Customs Law sets out a number of procedures and customs operations that are applicable to goods that enter or leave the country. The main customs regimes are:

- **Import for Consumption Regime:** This is the most common type of customs regime and involves the definitive entry of foreign goods into Peruvian customs territory for the purpose of being consumed in the country. The entry of goods into Peru is made after paying customs duties and applicable taxes, if any, and complying with any formalities and other customs obligations, if applicable. Foreign goods shall be considered nationalised when clearance is granted by the customs authority.
- **Definitive Export Regime:** This is a customs regime enabling the exit of national or nationalised goods from Peruvian customs territory due to definitive consumption or to be used abroad. This regime is not subject to any taxes.
- **Temporary Import Regime:** This is a customs regime enabling the entry of goods for internal use in the country and subsequent re-export (applicable to equipment and machinery included in a closed list of goods approved for this purpose). The payment of customs duties and taxes is suspended by submitting a guarantee covering the amount of such duties and taxes.

The law also sets forth customs procedures for export promotion, such as:

- **Drawback Regime:** This allows for the full or partial recovery of customs duties levied on imported inputs that have been incorporated into exported goods or that were consumed during their production. Through this regime, the beneficiary may get a refund repayment of four per cent of the free on board (FOB) value of exported goods, provided that some requirements are met. For example, the value of the imported inputs may not surpass 50 per cent of the exported good's FOB value. The recovery rate will change to three per cent in 2019.
- **Temporary Import for Outward Processing Regime:** This suspends payment of customs duties and other applicable taxes on imported inputs if they are transformed or manufactured and materially incorporated into export goods that will be exported within 24 months after their entry. In addition, goods used directly in the production process, such as catalysts, accelerators or retarders, which are consumed during the process, may be subject to this customs regime.
- **Reposition of Merchandise in Franchise Tariff Regime:** That allows the importation – without payment of customs duties and applicable taxes on imports – of goods equivalent to nationalised goods, which have been transformed, processed or physically incorporated into definitively exported products.

Customs clearance is governed by the General Customs Law and its regulations. In addition, SUNAT is responsible for controlling the entry or exit and transport of goods inside the Peruvian border.

D. MINING INVESTMENT

In Peru, mineral resources are owned by the state; hence, their exploration and exploitation is allowed only if the relevant governmental consents are granted. A concession is required to carry out mining-related activities, except for sampling, prospecting, storage and trading. Nonetheless, while a mining concession is key for conducting mining, the granting of other permits or consents – such as an environmental certificate, water use right, right over the land and certificate of the non-existence of archaeological heritage, among others – is also required.

Although a mining concession is a property-like right, it is different and independent from the surface land on which it is located. Therefore, carrying out mining (whether exploration, exploitation or any other ancillary activity) needs the mining titleholder to obtain a title over the surface land through an agreement with the private landowner or the relevant administrative procedure in case of state-owned land. If reaching an agreement with the private owner is not possible, the imposition of a mining legal easement may be requested from the Peruvian Government, but this is rarely granted.

Mining concessions are granted indefinitely and, generally speaking, are irrevocable, provided their titleholders pay the annual validity fee and reach minimum production levels (or otherwise pay the applicable penalties) within the terms set forth by law.²³ Non-compliance with paying the validity fees or the production penalties for two consecutive years entails the cancellation of the mining concession.

²³ Holders of mining concessions shall achieve a minimum production of at least one tax unit per hectare per year within a ten-year term following the year in which the concession was granted. Otherwise, a penalty equivalent to ten per cent of one tax unit per hectare per year shall be paid. Furthermore, mining titleholders will have a 30-year term to achieve the minimum production levels set by law; otherwise, the concession will be cancelled. In principle, the 30-year term is counted from the granting of the mining concession. Nonetheless, for those concessions granted before 31 December 2008, the term is counted from January 2009.

Mining concessions may be subject to transfer, assignment, mortgage and, in general, any legal transaction or contract. In order for these agreements to be enforceable, a public deed shall be granted and subsequently recorded with the Public Registry of Peru. Otherwise, they will be binding only between the parties to them.

There are no restrictions or special requirements on foreign companies or individuals regarding owning mining concessions, unless these are located within 50 kilometres of the Peruvian border, in which case, special authorisation needs to be granted through a Supreme Decree.

There are other types of concessions regulated by the Peruvian Mining Law and required to develop certain specific mining-related activities, as detailed below:

Processing Concession, which grants the right to process, purify, smelt or refine minerals through a processing plant;

General Service Concession, which allows carrying out ancillary services (eg, ventilation, sewerage, hoisting or underground access) for two or more mining concessions of different holders; and

Mining Transport Concession, which authorises the mass transport of minerals by non-conventional systems (eg, conveyor belts, pipelines or track cables).

E. OIL AND GAS INVESTMENT

The Peruvian oil and gas industry is governed by Law No 26,221 (the 'Organic Law'). The Organic Law and its regulations constitute the primary local general regulation in hydrocarbon matters establishing the legal structure that currently governs both upstream and downstream hydrocarbons activities.

1. Upstream activities

Pursuant to the Organic Law, in situ oil and gas resources are owned by the Peruvian state, and hence, the performance of any exploration and exploitation activities in respect thereof shall only be performed based on legal rights granted by the corresponding authority.

Title to such rights may be obtained through any of the following two alternatives: (1) a licence agreement, pursuant to which the oil and gas extracted is owned by the licensee and may be freely sold either in the domestic or international market, while the Peruvian Government receives a royalty as compensation for such rights; and (2) a service agreement, by which the Peruvian Government hires a private entity to undertake exploration and exploitation activities, maintaining ownership title over all extracted hydrocarbons. In the second scenario, the private operator is compensated for its services either by receiving a portion of the extracted resource or an agreed fee per barrel extracted. Contracts entered into under the above regimes provide for certain benefits, including tax stability, early recovery of VAT and the guarantee of availability of foreign currency, during the life thereof. The contracts have the nature of contract law, which means that they cannot be modified unilaterally by the Peruvian Government.

The execution of hydrocarbon contracts may be achieved through: (1) a direct negotiation process; or (2) a public bid. Nonetheless, both procedures will require the contractor to obtain prior qualification from the corresponding authority (Perupetro) on a contract-by-contract basis. Duly qualified local

and foreign oil and gas entities are equally eligible to enter into contracts for the exploration and exploitation of hydrocarbons, provided that, in the case, of foreign entities, they establish a branch or a subsidiary domiciled in the capital city of Lima and appoint a Peruvian representative.

The execution of the aforementioned contracts, as well as any amendment thereto or any assignment thereof, requires the prior approval of the Peruvian Government through the enactment of a supreme decree ratified by the Ministries of Energy and Mines, and Economy and Finance, respectively.

2. Downstream activities

National or foreign entities are allowed to own and operate oil refineries, fuel oil and gas stations, gas processing plants, storage terminals and pipeline infrastructure subject only to complying with applicable local regulations.

In order to undertake the following hydrocarbon activities, refining, storage and fuel stations, entities are required to: (1) obtain an authorisation (favourable technical report issued by Organismo Supervisor de la Inversión en Energía y Minería ('Osinergmin')) prior to the start of construction works; (2) register before Osinergmin prior to the start of its commercial operations; and (3) register before the Peruvian Government's controlled goods registry managed by SUNAT. The transport and distribution of hydrocarbons through oil or gas pipelines can only be carried out by entities holding a relevant concession granted by the Ministry of Energy and Mines (Ministerio de Energía y Minas ('MINEM')).

The Executive Branch and Congress are currently working on an amendment to the Organic Law in order to extend the terms of the exploration and production contracts beyond the current terms of 30 years for crude oil and 40 years for natural gas, and provide the flexibility to agree on lower royalties, among other aspects aimed at attracting risk investment to the country.

B. Rendering of public services

i. General framework

As per Article 58 of the Constitution, the Peruvian Government may act in certain areas of social interest, such as employment promotion, health, education, security, and the rendering of public services and public infrastructure development.

However, by constitutional mandate, governmental agencies may only engage in economic activities in a subsidiary manner, and only if expressly authorised by law for reasons of public interest or national convenience.

In that sense, given that the Peruvian Government can only intervene in specific scenarios, Peru's legal framework established the principal guidelines for the exercise of private initiative in all economic activities through Legislative Decree No 757 in order to promote private investment and regulate the main actors of Peru's economic system. Since this legislative decree was enacted, all prices and tariffs have been set as a result of free market competition, except in the case of public services, where prices are administratively set as expressly provided by law.

Once the general rules for private initiative in public services were outlined, each regulated sector (energy, telecommunications, water supply, sanitary, etc) had its own general law approved for the provision of each type of public service. As a result, laws, such as the Electrical Concessions Law, General Telecommunications Law and General Sanitary Law, were created.

Additionally, Legislative Decree No 757 provided the first legal dispositions for the creation of regulatory agencies that regulate and supervise private investment in the provision of public services. Subsequently, Law No 27,332 formally created Peru's first four regulatory entities for the provision of public services and infrastructure development: the Energy Regulator ('Osinergmin'), the Telecommunications Regulator (Organismo Supervisor de Inversión Privada en Telecomunicaciones ('Osiptel')), the Public Transport Infrastructure Regulator (Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público ('OSITRAN')) and the Sanitation Regulator (Superintendencia Nacional de Servicios de Saneamiento ('SUNASS')). All these, among other new regulatory agencies, currently have administrative powers for regulating, supervising and sanctioning public services concessionaires in their respective area.

ii. Amending and systematising the applicable rules for the promotion of private investment

Given that the framework regarding these matters was distributed in several sets of regulations, the Peruvian Government decided to create a more unified and complete system for the aspects concerning private investment in both public services and public infrastructure. Thus, the Peruvian Government issued Legislative Decree No 1,224 in 2015, which was systematised through Supreme Decree No 254-2017-EF, its regulation approved by Supreme Decree No 410-2015-EF and, finally, Legislative Decree No 1,251, which amended certain articles in Legislative Decree No 1,224.²⁴ Its purpose was to establish guidelines to promote the participation of private investors through the execution of projects via PPP or state assets (*proyectos en activos*). It should be noted that the latter is a legal mechanism that allows public entities to promote private investment over their own assets through purchase agreements and surface right agreements, among others. In addition, it is important to state that these types of agreements cannot compromise public resources nor transfer risk towards the public entity, except when expressly stated by a legal provision.

That said, Legislative Decree No 757 also sets forth the main guidelines by which private initiatives can participate in the rendering of public services and the development of public infrastructure. One of these is the concession mechanism provided in each sector's general regulations (Electrical Concessions Law and the General Telecommunications Law). As mentioned, concession contracts are one of the main mechanisms by which the state grants the private sector the right of exploitation for a limited term. In that sense, even though Legislative Decree No 1,224 and its regulation do not emphasise their role as much as previous regulations, they are widely known and adopted by our system. This can be greatly appreciated in some of the most important infrastructure projects for the rendering of public services in Peru.

²⁴ Formerly, the concessions regime was ruled through Supreme Decree Nos 059-96-PCM and 060-96-PCM, and later by Legislative Decree No 1,012 and its regulation, which were overturned as a result of the dispositions in Legislative Decree No 1,224. However, it should be noted that Arts 19 and 22 of Supreme Decree No 059-96-PCM are still in force. These articles regulate the term of legal stability agreements in concessions and the value of transferring goods to the Peruvian Government during or at the end of the concession term, or even for its renewal.

The bidding mechanisms provided in Legislative Decree No 1,224 and its regulation, approved by Supreme Decree No 410-2015-EF for private investment in public services and infrastructure, are currently called and conducted by Proinversion. Infrastructure and public services concessions under this regulatory framework are usually formalised in concession contracts that have a maximum term of 60 years with a few exceptions, for example, in the port sector.²⁵ These contracts establish the corresponding recovery investment mechanism for the development of infrastructure, as well as all other significant conditions, such as maintaining the economic and financial balance of the project, the nature of the project and risk allocation, among others.

The investment regime in Peru was established in a very attractive manner, for both national and foreign investors. This can be seen in a series of benefits and incentives that the Peruvian Constitution and rules state for those interested in entering into these types of partnerships. Some of the items that foreign investors shall bear in mind are the following: (1) there is equal treatment towards both Peruvian and foreign investors (very few exceptions); (2) free access to the financial sectors; (3) maintaining and protecting private property; and (4) unrestricted access to most economic sectors, among others.

Before providing more detail on Peru's legal framework, it is important to acknowledge the role that Proinversion plays within the scope of the aforementioned rules. First, it is the Peruvian Private Investment Promotion Agency, a public entity attached to the Ministry of Economy and Finance, whose purpose is to ensure that the policies regarding the promotion of private investment are adequately executed. Moreover, it provides orientation and information services to investors (either local or foreign) in accordance with the political and economic plans of the Peruvian Government, in order to obtain the most efficient and favourable results for both parties.

In comparison to the previous frameworks which ruled private investment participation, this new framework established several principles, processes and regulations for the development of PPPs (*asociaciones público-privadas*) and unsolicited proposals (*iniciativas privadas*) for the execution of all types of investment projects at all three government levels (national, regional and local). PPP and unsolicited proposals are mainly contractual arrangements between a governmental authority and a private entity for providing a public asset or service, in which the private party will bear significant risk as it generally will be responsible for the design, finance, construction, operation and maintenance of the PPP or unsolicited proposal project.

PPPs for infrastructure projects may be executed through any type of contract permitted by law (ie, association in participation, management contract, JV and specialisation agreement, among others); however, the most common contractual figure has been the concession. This may be granted by the Peruvian Government for investing not only over any type of infrastructure project and/or public service related to infrastructure, but most recently over any social interest project; related to health and environmental matters; and related to the treatment and processing of waste; as well as applied to research and technological innovation projects, among others.

In terms of financing, a PPP can either be self-financed (executed entirely with private funds) or co-financed by the state. In the latter case, in order to ensure the availability of the resources of the

²⁵ According to Law No 27,943, the management of port infrastructure can only be awarded to the private sector for a maximum of 30 years.

state to undertake the required co-financing, a report is elaborated by the corresponding entity. This involves carrying out a technical, economic and financial evaluation to determine the viability of the projects in order to decide whether the proposals are suitable for the current condition and needs of the government. Additionally, it should be noted that, in the scenario of a co-financed PPP originated from a state initiative and with national significance (for the national government), the total investment cost or total project cost in the case in which there is no investment component shall exceed 10,000 tax units.²⁶ For projects directed to regional or local governments, the costs previously mentioned shall then exceed 7,000 tax units.²⁷

Under this legal framework, many important infrastructure concessions have been granted in mostly the transport, communications and energy sectors. Some of the most remarkable concessions are the construction and operation of transmission lines of the national grid; the construction, improvement and operation of airports (among others, Lima International Airport 'Jorge Chavez'); the concession for the construction and operation of the Transoceanic Highway; and the concessions of the Callao Seaport.

Regarding administrative competence, the procuring authorities for PPP are: (1) Proinversion for projects within the national competence that involve investments over 15,000 tax units or cover multiple sectors; (2) the special investment committee (*comité de promoción de la inversión privada*) of each ministry for national projects that are not in the charge of Proinversion; and (3) in the case of regional or local projects, through the investment committee (*comité de promoción de la inversión privada*) directly and whose supreme body is the regional or municipal council, correspondingly. In addition, there are other authorities with a relevant participation in the process of procurement of a PPP such as: (1) the Comptrollers' General Office (Contraloría General de la República); (2) the regulatory agencies of each sector involved in the project; and (3) the Ministry of Economy and Finance.

The Peruvian regulatory framework also includes the possibility of investors taking the initiative and proposing the development of a specific infrastructure project to different governmental authorities through unsolicited proposals. These proposals have the nature of a discretionary request, which implies that the rights of the private investor are exhausted upon the submission of the proposal. However, if the state considers that the proposal is of interest, it may award the unsolicited proposal concession directly to the proponent or, in the case in which other investors show interest in the development of the unsolicited proposal, to the winner of a public bid process called by a competent authority.

In terms of financing, an unsolicited proposal may also be self-financed or co-financed. The submission of co-financed initiatives varies depending on whether they are directed to the national government (first 30 working days of the term established by Supreme Decree) or to the regional and/or local government (first 45 calendar days of each year). These proposals must also have a contractual term of ten years minimum and a total cost of investment over 15,000 tax units. In the

26 Each tax unit as of 2018 is PEN4,150 which is equivalent to US\$1,273 (according to the applicable current exchange rate (3.27)). In this sense, 10,000 tax units is equivalent to US\$12,691,131.

27 The value of 7,000 tax units is equivalent to US\$8,883,792.05.

case in which there is no investment component, these proposals shall have as a total cost of the project an amount over 15,000 tax units.²⁸

An unsolicited proposal for regional or local-scope projects are submitted to the private investment offices of each regional or local government, except, as mentioned, for co-financed unsolicited proposals that must be submitted in all cases before Proinversion. An unsolicited proposal may also be submitted under several contractual forms (operation, management, joint venture, etc), but generally, the most common contractual form is the concession, as we have previously mentioned.

Important concessions have also materialised as a consequence of unsolicited proposals. The most significant examples are the concession for the execution of the Taboada wastewater treatment plant by Proinversion, the concession agreement for the design, finance, construction, operation and maintenance of the Olmos project (Proyecto de Irrigación Olmos), the concession granted to Rutas de Lima (previously known as Línea Azul) and, especially, the concession granted to for the construction and operation of an expressway for the city of Lima under the name 'Vía Parque Rímac' (previously known as Línea Amarilla), which was granted by the Municipality of Lima.

Finally, once the investor has been awarded the project and is enabled to develop it under a PPP (or unsolicited proposal), it will need to comply with the regulatory requirements for completion of the concession contract, as well as for the construction and operation of the particular project, which will be submitted to each sector's specific regulations (energy law, transport law, etc).

1. PRIVATISATION GENERAL RULES

Along with Legislative Decree No 757, in 1991, Legislative Decree No 674 established a legal framework to promote private investment in public state companies. In line with the constitutional definition by which the state may only perform business activity in a subsidiary manner, several privatisation projects were implemented during the early 1990s in which many public companies were transferred to the private sector.

However, since the enactment Supreme Decree Nos 059-96-PCM and 060-96-PCM and Legislative Decree No 1,012 (applicable legal framework before Legislative Decree No 1,224 entered into force in 2015), privatisation projects have been conducted through private investment concessions, PPP and the concession mechanisms provided in each economic sector's specific regulations that were detailed above.

C. Real estate

i. Land use and real estate

Peruvian law offers rules that guarantee the acquisition, transfer and protection of real estate. The specific measures adopted by the Peruvian Government have a threefold thrust. First, the protection of the right to acquire property is at the constitutional level, ensuring the free exercise of this right and enshrining it as inviolable (Article 70 of the Peruvian Constitution). Second, the Peruvian

²⁸ The value 15,000 tax units is equivalent to US\$19,036,697.25.

Constitution also establishes that foreigners (whether natural individuals or legal entities) have the same status as Peruvians with respect to the acquisition of property, with a specific exception set forth for national security reasons regarding land located within 50 kilometres from the border line (Article 71 of the Peruvian Constitution). Third, several legal mechanisms have been developed to ensure the safety of transactions related to the acquisition, transfer, and use of property. The limit to the right of foreigners to own land in frontier areas is not an absolute prohibition as it may be waived due to public necessity and subject to a supreme decree (Article 71 of the Peruvian Constitution).

A. PRIVATE AND PUBLIC REAL ESTATE

The transfer of private property is governed by ordinary rules regulated by the Civil Code. According to these rules, transactions between individuals enjoy wide contractual possibilities, even allowing the creation of new types of contracts, called ‘atypical contracts’ that are not stipulated in the current legislation. Within the regulated legal concepts are the real rights of property: surface rights, easements, ownership and usufruct, among others. Formal ownership is also acquired through actual possession (the possession must be continuous, peaceful and public as the owner) of an asset for ten years, which is known as acquisitive prescription – adverse possession.

Peruvian regulations also allow the parties to enter into preliminary agreements intended for the possible acquisition of real estate. This is the case of a commitment to execute an agreement, by means of which the parties agree to enter into a future contract; the party that refuses to execute the preliminary agreement may even have to pay a penalty. There is also the option agreement, by means of which one of the parties agrees to perform the sale within a stipulated term, with the other party having the power to decide whether or not to execute the agreement.

With the exception of donations and mortgages, which are invested with certain formalities, agreements related to real estate may generally be executed by simple mutual consent. The practice and need to protect property rights encourages abiding by the formalities that evidence the execution of an agreement, not only with written evidence of the agreement and its formalisation in a public deed, but also through its registration in the Public Registry of Peru.

In relation to private real estate, there is a special type of property that may only be transferred by observing special formalities. These are properties owned by native and peasant communities, in which case the sale of property must be approved at corresponding community meetings. According to the resolution adopted at these meetings, a person who has been expressly chosen to act on behalf of the community must execute the agreement.

Public property could be private property of the Peruvian Government or belong to the public domain. In both cases, there is a very specialised regulation in place that stipulates a number of formalities that must be met for the use of such property by any individual. A private entity may purchase state-owned property, execute agreements on exchange, easement, surface rights or usufruct, or lease the property for a specific purpose of public relevance. In these cases, it will be necessary to follow administrative procedures relevant to the entity owning the public property; comply with the requirements legally set forth for each type of operation; and, depending on the case, take part in auctions or public bids, competing with other bidders for the acquisition of the intended right. State-owned properties are not acquired by prescription (Supreme Decree

No 007-2008-VIVIENDA, Reglamento de la Ley No 29151, Ley General del Sistema Nacional de Bienes Estatales).

Public property, provided it is under the regime of private domain, can be bought only under the modality of a public auction and exceptionally by a direct sale. The call for a public auction must be made through the website of the National Superintendence of State Property (Superintendencia Nacional de Bienes Estatales ('SBN')), notwithstanding the other publications that regulate the corresponding directive (which approve the public auction). The application for direct sale with the price at commercial value will be published in the Official Gazette, *El Peruano*, and another newspaper of greater circulation in the region where the property is located, as well as on the website of the SBN.

B. URBAN AND RURAL LAND

This distinction between urban and rural land applies to both state-owned property and private real estate.

Urban land is located within cities, including land on which commercial, industrial, residential, public service activities and other activities typical of development in an urban area take place. When urban land is intended to be acquired for a specific purpose, it is very important to first obtain the necessary certification from the corresponding local authority, either a 'land development and building parameters' certificate or a 'zoning and roads' certificate. These certificates, which have three years of validity, detail (among other information) the use and building parameters that must be observed. Notably, while the certificates are valid, the person who has requested them may put into effect the information contained in them, despite the fact that within the three-year period normative changes may arise, modifying the uses and parameters of the land (Supreme Decree No 006-2017-VIVIENDA, Texto Único Ordenado de la Ley No 29090, Ley de Regulación de Habilitaciones Urbanas y de Edificaciones).

Rural land is that located outside the urban area intended for agricultural use, livestock and rural activities in general. In most cases, it is possible to modify the designation of land from rural to urban following a fairly complex procedure before the competent local authority.

C. REGISTRY SYSTEM

The National Superintendence of the Public Registry (Superintendencia Nacional de los Registros Públicos ('SUNARP')) is the entity that governs the real estate registration system. It is through SUNARP that any person may obtain a property registry certificate (*certificado registral inmobiliario* (CRI)). This document enables the purchaser to verify the existence and attributes/description of the property (land and construction) and identity of the owner, and to check whether the title is free from attachments, mortgages or any encumbrances of a judicial or extrajudicial nature.

The effectiveness of the real estate registry is guaranteed by legal order. All the information published and contained in the records is presumed to be known by all, without admitting evidence to the contrary. Persons that appear as owners in this system are duly empowered to sell the properties of which they are titleholders. The third party that in good faith acquires a right of person who in the

registry appears empowered to sell the property, maintains its acquisition once its right is registered, even if the seller's title is cancelled, rescinded or terminated by causes that do not appear in the registry entries and the archived titles that support it. The good faith of the third party is presumed until it is proven that it knew the inaccuracy of the record.

D. EXPROPRIATION

Property rights are well protected and awarded with guarantees for their defence, but are not absolute. The Peruvian Constitution sets forth that a person may be only be deprived of his/her property (expropriated) in the case of national security or public necessity declared as such by a law enacted by Congress and prior payment in cash of an indemnity for the value of the property and the profit loss. The owner of the land subject to expropriation may discuss the amount of the indemnity before the judiciary or in an arbitral proceeding. The expropriation is always in favour of the Republic of Peru. The experience in recent years reveals that the Republic of Peru has resorted to this on very few occasions, and it essentially does it for territorial security and in order to perform public infrastructure works. This is the last resort when a property is required.

ii. *Applicable taxes*

At the level of the local authority where the property is located, the following taxes apply (depending on the specifics of each case and of the transferor, other central government taxes may apply whenever real estate property is transferred to third parties, eg, income tax and VAT).

A. REAL ESTATE PROPERTY TAX

Property tax applies on the value of the urban and rural property based on self-appraisal (*autoavalúo*). Its collection, administration and oversight correspond to the district municipality of the location of the property.

The rates of property tax are as follows:

1. 0–15 tax units:²⁹ 0.2 per cent;
2. 15–60 tax units: 0.6 per cent; and
3. more than 60 tax units: one per cent.

Payers of the property tax are the owners of real estate properties from 1 January of a given tax year.

B. REAL ESTATE TRANSFER TAX

The Municipal Taxation Law, approved by Supreme Decree No 156-2004-EF, states that *alcabala* tax applies on the transfer of real estate property (urban or rural), whether it leads to a payment of a consideration or not, whatever form or manner, including transfers with reservation of ownership.

²⁹ For 2018, the tax unit is equivalent to PEN4,150 (approximately US\$1,288).

The taxpayer is the property acquirer. The taxable base is the consideration agreed upon by the parties, provided it is not lower than the property value set forth in the local authorities' records (ie, *autoavalúo*). The self-appraisal is obtained by applying tariffs and construction unit prices formulated and approved by the Ministry of Housing and Urban Development (Ministerio de Vivienda y Urbanismo) every year.

The first ten tax units (approximately US\$12,880) of the taxable base are exempt from this tax. The tax rate is three per cent and must be borne exclusively by the purchaser.

The *alcabala* tax must be paid until the last working day of the following month of the transaction.

C. MUNICIPAL FEES

Municipal fees are taxes to be paid for the provision or maintaining of the public services of public cleaning, parks and public gardens, and patrolling guards.

The amount to be paid for municipal fees is determined by the corresponding district municipality and must be paid quarterly.

D. Development of ample/integrated capital markets and joint activities between Latin American countries

i. Peru stock exchanges: current developments on regional integration

The Lima Stock Exchange (BVL) is currently the only stock exchange in Peru. It has mechanisms in place for listing shares, as well as other securities of local and foreign issuers. In addition, it has a simplified listing mechanism applicable to securities of local and foreign issuers that are already listed in other specific foreign markets (dual listing). The BVL has also implemented a special segment for the listing of junior mining companies.

According to the Peruvian Securities Market Law (SML), stock exchanges may be incorporated as corporations (*sociedades anónimas*). Hence, besides being regulated by the SML, they are regulated by the Peruvian General Corporate Law. A merger between stock exchanges is legally possible. It should be noted, however, that, as mentioned, the BVL is the only existing stock exchange.

Recently, the SML was amended in order to allow for an exemption to the general prohibition to hold more than ten per cent equity participation in local stock exchanges, and in local clearing, settlement and depository institutions, in the case of transactions involving corporate integration within stock exchanges and clearing, and settlement institutions approved by the Peruvian Superintendency of the Securities Market (Superintendencia de Mercado de Valores (SMV)).

A. MILA MARKET: CURRENT RESULTS AND EXPECTATIONS

The MILA market is the result of the agreement initially executed between the Santiago Stock Exchange (Republic of Chile), Colombia Stock Exchange and BVL, including their corresponding securities clearing, settlement and depository institutions, in order to integrate the aforementioned

stock exchanges' markets. It formally commenced operations in May 2011. In December 2014, the Mexican Stock Exchange, as well as its clearing, settlement and depository institution, joined MILA.

MILA allows local brokerage agents to engage in trading with instruments that are listed in the associated foreign stock exchanges from their negotiation platforms (the BVL has implemented an electronic trading mechanism called Millennium, provided by the London Stock Exchange, which has replaced Elex, the previous system), through the trading platforms of brokerage agents that operate in the target exchanges, which grants the former remote access to centralised negotiation mechanisms.

The integration of the Santiago Stock Exchange, Colombia Stock Exchange, Mexican Stock Exchange and BVL through MILA is based on the independence of such stock exchanges as independent companies. In this way, the stock exchanges are administered independently, operating their own platforms and independent negotiation electronic systems, with their own negotiation rules and market administration.

The operations are executed in the original currency of the instrument (eg, if the instruments are Peruvian, then the currency has to be *nuevos soles*). The liquidation of such transactions has to be done in the currency of the country in which the instrument is listed and under which the negotiation was performed.

According to published information on MILA's website, the total volume traded in MILA for 2016 was US\$178.898m. The Mexican Stock Exchange represented 77.55 per cent, followed by the Santiago Stock Exchange with 13.97 per cent, the Colombia Stock Exchange with 6.99 per cent and the BVL with 1.49 per cent.

B. PACIFIC ALLIANCE: RECENT DEVELOPMENTS AND GOVERNMENTAL ACTION

The Pacific Alliance was implemented by Colombia, Chile, Mexico and Peru on 28 April 2011, through a document called the Declaration of Lima, with the purpose of creating a space for economic, political and commercial integration, offering economic agents a predictable legal framework for the development of the commerce of assets, services and investment.

The Pacific Alliance arose as a result of an initiative of the Peruvian President at the time (2010), following an invitation made to Colombia, Chile, Ecuador and Panama in order to establish a 'profound integration area' that secures the freedom to circulate assets, services, capital and persons, with the purpose of making such a space an integration model for the region, consolidating a common economic platform, with projection to the world, specially Asia. Eventually, Mexico joined this group, while Ecuador did not participate and Panama stayed as an observer country.

The Declaration of Lima established the commitment of the participating countries to achieve the main objective of the Pacific Alliance: the freedom to circulate assets, services, capital and persons. In that way, several technical groups were created for each of the aforementioned areas and a high-level group was integrated by the Vice Ministers of Foreign Affairs and Foreign Trade in order to supervise the other technical groups.

Since the execution of the Declaration of Lima, there have been: (i) 12 presidential in-person meetings, the last held on 30 June 2017 in Cali, Colombia; (ii) 16 ministerial meetings, the last held on 29 June 2017 in Cali, Colombia; (iii) 42 high-level group meetings, the last held on 6 October 2017 in Santiago, Chile; and (iv) 29 technical group meetings, the last held between 20–21 March 2018 in Lima, Peru.

At the Cali Summit, Chile handed over the *pro tempore* presidency of the Pacific Alliance to Colombia. Likewise, the presidents of the Pacific Alliance member countries signed the Declaration of Cali, in which they highlighted their commitment to the Pacific Alliance, as a process that promotes deep regional integration; the first year of entry into force of their free trade zone through the implementation of the Additional Protocol to the Framework Agreement, as well as the progress in regional integration; the announcement of the beginning of the negotiations aimed at granting Australia, Canada, New Zealand and Singapore the status of Associated States to the Pacific Alliance; their commitment to free trade, regional integration and strengthening of the multilateral trading system, as means to promote competitiveness and the development of their economies; their conviction to continue promoting a green growth strategy as a way to face the challenges of climate change; their willingness to intensify efforts to incorporate the gender perspective transversally into the programmes and activities of the Pacific Alliance; their firm intention to strengthen integration in Latin America; their satisfaction regarding the strengthening of the cooperation space in areas of common interest and rapprochement that has been achieved with the Asia Pacific; as well as other developments.

Before the Cali Summit, at a meeting of the Council of Ministers of the Pacific Alliance, held earlier that year in Mexico City, three new countries were admitted as Observer States of the Pacific Alliance: Croatia, Slovenia and Lithuania.



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