Major Country Risk Developments
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By Byron Shoulton

Overview

The U.S. Federal Reserve ("the Fed") cut its benchmark interest rate by a quarter-point amid uncertainty about the outlook for the world's largest economy following President-elect Trump's victory in the U.S. presidential election. In addition to clinching the White House, Republicans captured the Senate and hold a majority in the House of Representatives.

The Fed's decision lowered the interest rate target range to 4.5-4.75% and marked a downshift in the pace from September's half-point cut, which rate-setters made to stave off weakness in the U.S. jobs market. The Federal Open Market Committee ("FOMC") stated that the U.S. economy was expanding at a "solid pace" even as labor market conditions had "generally eased" compared with earlier in the year.
The FOMC continued to characterize inflation as "somewhat elevated," affirming that the risks to achieving both low, stable inflation and a healthy jobs market were "roughly in balance".

While the U.S. central bank is an independent institution, the president-elect lambasted rate-setters for not cutting borrowing costs swiftly enough during his first term. President-elect Trump will have the opportunity to nominate a new chair once Jerome Powell's term ends in May 2026, with only one other seat on the seven-seat board of governors coming up between now and the end of his second term.

The initial market reaction to the Fed's decision was relatively muted. The policy-sensitive two-year yield on U.S. Treasuries fell by 0.04 percentage points to 4.23% after the announcement, while the benchmark 10-year yield was 0.06 percentage points lower at 4.36%. Those moves marked a partial reversal of a sharp rise in the U.S. government's cost of borrowing a day earlier, as bonds sold off following President-elect Trump's victory. Fed officials are debating how quickly to lower interest rates to a "neutral" setting that neither boosts nor suppresses demand, while keeping inflation steady at the central bank's 2% goal. Inflation has fallen dramatically since peaking at about 7% and is now close to 2%. The labor market has cooled off but remains solid — defying expectations of a more substantive slowdown. Economists said October's jobs report, which showed employment growing by just 12,000 positions, was an aberration, reflecting distortions stemming from two hurricanes and labor strikes.

The Fed has opted against providing specific guidance about what will happen to rates next — saying it will act on the data. President-elect Trump has proposed sweeping tariffs, mass deportations of immigrants and extensive deregulation in addition to lower taxes for the wealthy and businesses. While stock markets have soared on expectations of bigger corporate profits, economists say the president-elect's plans risk not only higher inflation, but also slower growth.

Stock and corporate-bond markets are delighted with the anticipated deregulation and tax cuts promised in Trump's second term. A pledge to cut $2 trillion from the government's annual budget is tough to envision but we expect cuts. The incoming administration has promised to free up artificial intelligence. The immensely power-hungry technology will require a boost in investments in power generation to meet the demands of the ongoing innovation revolution. This will in turn serve as an important economic growth driver and a source of job creation over the medium term.

However, markets remain mindful of the dangers of inflation, cronyism and uncertainty. Furthermore, as the U.S. borrows, raises tariffs and grows, the dollar has strengthened. That could dampen trade and lead to higher interest rates and a greater dollar-debt burden in developing countries. Countries accused of taking advantage of America, including Mexico, Germany and China, are likely to become targets of the new administration.

The Trump presidency also comes with risks. The incoming administration intends to deport millions of undocumented migrants and impose tariffs of up to 60% on goods from China and 10-20% from the rest of the world. These would amount to anti-growth policies. Meanwhile, the direct costs of mass deportation could, by one estimate, run to hundreds of billions of dollars. That does not include the economic burden of labor shortages and spiraling consumer prices. Roughly half of the workers on U.S. farms have no legal status. Exact statistics are scarce but high levels of undocumented workers are suspected in construction, hospitality, transport, landscaping, delivery, and services sectors across many U.S. cities. President-elect Trump is creating a great deal of anxiety in markets. The question is whether growth or anti-growth policies will dominate in the years ahead.

U.S./China

China's President Xi Jinping has indicated to his U.S. counterpart Joe Biden that Beijing is prepared to work with the incoming President-elect Trump Administration to manage differences in the turbulent U.S.-China relationship. The Chinese and U.S. presidents met at the Asia-Pacific Economic Cooperation forum in Lima, Peru, in their final meeting as leaders before Biden's term ends in January. Xi acknowledged that the U.S.-China relationship had seen "ups and downs" over the past four years but had remained largely "stable." China, he said, is ready to work with the new U.S. administration to maintain communication, expand co-operation, and manage differences for the benefit of the two peoples.

President Biden noted that the U.S.-China relationship was the most important relationship in the world. Repeating that "our two countries cannot let any of this competition veer into conflict. Over the past four years I think we've proven it's possible to manage this relationship."

Relations between the U.S. and China have plummeted over the past four years, reaching their lowest levels in decades after then-U.S. House Speaker visited Taiwan in 2022 and a Chinese spy balloon flew over the U.S. in 2023. Relations have since stabilized, but the superpowers remain at odds over many issues. The U.S. said both leaders had a "candid" exchange in Lima about co-operation, including on counter-narcotics, but also covered areas of significant divergence, such as China's support for Russia's defense industrial base.

Presidents Biden and Xi reportedly reached an agreement on the need to maintain human control over the decision to use nuclear weapons, which is said to be the first time that China had made such a pledge. In its readout of the meeting, China's foreign ministry confirms that both leaders "stressed the need to maintain human control over the decision to use nuclear weapons."

One China expert said the agreement signaled a recognition by Beijing that active bilateral measures should be taken to control dangerous global security risks. It is the first agreement ever signed by the U.S. and China involving nuclear weapons. Hopefully, others will follow. The meeting at the Apec summit in Lima, Peru was the third in person between Biden and Xi as leaders, and their first since the Apec forum in San Francisco in 2023, where they agreed to put a "floor" under the strained ties between both countries. It also came two months before President President-elect Trump will begin his second term.

In recent weeks, president-elect Trump has named officials with tough stances on China for top positions, including nominations for national security adviser and secretary of state. The incoming U.S. Administration threatens to impose tariffs of more than 60% on all Chinese exports.

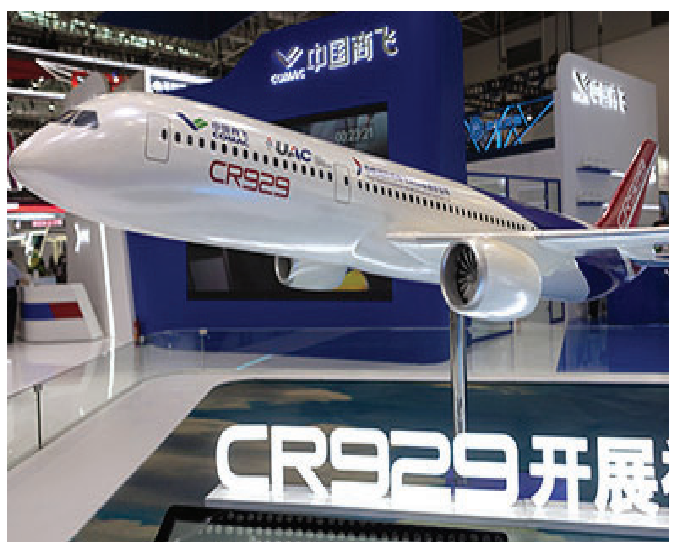
Xi repeated his mantra that China wanted to work with the U.S., adding that "major country competition should not be the underlying logic of the times." Xi pushed back against the idea of decoupling and U.S. measures to deny China access to advanced semiconductor-related technologies. According to Xi these are not measures that a major country should pursue. The U.S. maintains that export controls were narrowly targeted at high-end technologies related to U.S. national security concerns. Chinese state media said Xi had told the U.S. that China had four "red lines" that the U.S. should not cross. Those are: Taiwan, democracy and human rights, the Chinese system, and the country's economic development.

Some observers suspect that China's GDP figures in the past few years have been inflated. Local officials tend to view meeting regional targets as necessary not only to keep their jobs but also to secure promotions. This atmosphere of distrust intensified since August 2021 when China's internet tsar prohibited any social media publications that could "distort" macroeconomic data.

Such restrictions have silenced comments from leading economists in China, and several banks and research institutions have become reluctant to publish forecasts which fall below official figures. Some economists have been told to refrain from critiquing official data. The government's attempts to suppress negative commentary stems from concern over the long-term effect of stringent economic controls imposed during Covid-19, which saw investor and consumer confidence decline to an all-time low. Publicly available, reliable, up-to-date data allows investors to monitor developments and manage their expectations. If fundamental statistics such as GDP, consumption index and unemployment rates lose their credibility, investors will be forced to prepare for the worst-case scenario.

Last December, China's Ministry of State Security warned commentators on social media to stop criticizing the economy and spreading what it alleges to be disinformation. Last month, a leading economist at a top government think-tank reportedly disappeared after making disparaging remarks about the economy in a private WeChat group. These troubling developments have intensified skepticism about China's economic reality. When public trust in government erodes, citizens will assume that all information released by government may be false.

China has experienced remarkable growth since its accession to the World Trade Organization in 2001. Transparency, the rule of law, and objective economic analysis have all been instrumental in enabling the business community to make informed decisions. Given the current size of its economy, a GDP growth rate which falls short of 5% should no longer be considered taboo. While some adjustments to economic figures are understandable, excessive exaggeration by the authorities sends a bad message.



Meanwhile, the Chinese are claiming that the U.S. would bear the brunt of any attempt by the incoming President-elect Trump Administration to decouple economically from China. Citing the reliance on low-cost Chinese made parts for U.S. manufacturers, including the defense industry, a senior adviser to the Chinese government has warned that imposing 60% tariffs on Chinese goods would hurt U.S. companies more than China. China estimates that a 60% raise in tariffs by the U.S. would cut U.S. growth by half. In addition, Chinese suppliers would seek to evade the levies by rerouting products through third countries.

The thinking in government circles in China is that it would take years for U.S. companies that rely on Chinese parts for inputs, to find alternative suppliers. With its economy suffering from a prolonged real estate downturn, China needs export markets to absorb production from its factories, which are suffering from weak domestic demand.

Brazil

President Luiz Inácio Lula da Silva, who was returned to power two years ago, is again attempting to shine on the international scene. Lula's hope is for Brazil (South America's largest economy) to play a leadership role in the global south. Since returning to office Lula has tried to maintain ties especially with the U.S, China, Russia and India. However, with the return of President-elect Trump in the U.S., Lula may have to adjust his diplomacy. The shifting geopolitics raise questions about how Brazil will maneuver between the tensions of Beijing and Washington.

During Lula's first two terms, and before corruption scandals tarnished his reputation, the former metal worker had been feted as an international star. He was president when Brazil co-founded the BRICS bloc of developing nations. In November, Brazil hosted leaders of the G20 in Rio de Janeiro, one in a series of high-profile international summits for Brazil.

Next year, Brazil will welcome the newly expanded BRICS group of emerging countries, and in November 2025 will also host the annual UN climate conference in the Amazon port of Belém. Lula's return to center stage will require adopting to the shifting geopolitics of the era, as the growing competition for influence between the U.S. and China dominates. This could gradually overshadow the system of international institutions once dominated by Washington. This new environment has opened space for a group of middle-ranking powers, many of them not formally aligned — among them Brazil, Turkey, Indonesia and the Gulf states, as well as India, a potential future superpower. Many of these governments are trying to expand their international influence in part by playing off the U.S., China and in some cases Russia.

Brazil's efforts to take advantage of the changing geopolitical landscape are also facing challenges. Lula's attempt to act as a regional power and mediate the political crisis in Venezuela has floundered. Brazil, which prides itself on its own transition from dictatorship to democracy, has been uncomfortable at Russia and China's efforts to make the BRICS group more openly anti-western. The election of President-elect Trump in the U.S. is likely to complicate Lula's plan to showcase his climate diplomacy. The country must now navigate a much more complicated international scenario, in which its traditional neutrality may come under pressure from all sides. Lula is seeking to implement a strategy of multi-alignment in a very uncertain global environment. Its major source of power, the capacity to navigate multilateral forums, is under strain now that this strategy of multi-alignment will become more challenging.

At the beginning of his third term, Lula faced an uphill struggle. His predecessor President Bolsonaro had allowed Amazon deforestation to soar, mocked coronavirus as a "little flu" and shunned the international community. Meanwhile, his first foreign minister, described climate change as a plot by Marxists to weaken the west by helping China. Upon retaking power, Lula defined Brazil's diplomatic aims afresh — seeking leadership in global climate diplomacy, reinvigorating his life-long battle against hunger and poverty, and pursuing an end to wars through a posture of engaged non-alignment that attempts to foster co-operation without taking sides. Lula's desire to play peacemaker has led to criticism that he is parroting Russian and Chinese propaganda. In a whirlwind of diplomacy since his inauguration in January 2023, Lula has mended relations with the U.S., the EU, Africa and China — all estranged under Bolsonaro — as well as maintaining strong ties with Russia and India. It regards its foreign policy as seeking independence through balance in the world and multipolarity.

A majority in Brazil do not support a world dominated by one country or by one ideology or one person. Brazil's well-resourced and professional diplomatic service gives it particular clout, along with its long record of international engagement — it was a founder member of the League of Nations in 1919 and held the inaugural UN climate summit in Rio de Janeiro in 1992.

At times, Brazil's posture has caused disquiet in Washington and Brussels. Lula's desire to play peacemaker in the Ukraine war irked backers of Kyiv, who accused him of favoring Russia, particularly when he welcomed Russia's foreign minister to Brasília in April 2023. Before his re-election Lula upset European and American allies of Ukraine by suggesting Kyiv was jointly to blame with Moscow for the war. In 2023, Lula also suggested that the U.S. was prolonging the war by supplying arms to Ukraine. In response the U.S. accused Brasília of "parroting Russian and Chinese propaganda." Brazilian diplomats point to Brazil's vote to condemn Russia's invasion of Ukraine at the UN (India and South Africa abstained). However, the diplomats warn western allies: to think that you can destroy Russia is a dangerous illusion. Some point to Brazil's strong economic links to Russia as evidence that Brasília is not neutral. Moscow is the biggest supplier of fertilizer to Brazil's huge agricultural sector, and Brazil has been an eager buyer of cheap Russian diesel, as the west boycotts Moscow's fuels.

Although it may be unpopular in much of the west, Lula's position on Ukraine is widely shared across the developing world. Nations such as India, China, Mexico and South Africa concur with his view that the U.S. and Europe should be pursuing a diplomatic solution to the war, instead of sending ever more powerful weapons to Ukraine and imposing draconian economic sanctions on Moscow.

Brazil government spokesperson insists that Brazil is an average regional power, without the clout to influence issues of war and peace in the world. On Ukraine, on other policy issues, whether the Middle East, or in dealing with China, Lula has steered Brazil towards non-aligned policies being pursued by others of the emerging powers in the G20. These nations are working in a challenging landscape, trying to keep channels open while pursuing

their own national interests. Lula's comparison of Israel's military action in Gaza to the Holocaust may have underlined differences with Washington and led the Israeli government to declare Lula persona non grata. This thinking is much more in tune with the positions of fellow developing G20 nations such as India, Turkey, Saudi Arabia and South Africa, (which have lodged an allegation of genocide against Israel at the UN's top court). South Africa's ambassador in Brazil praises Lula's foreign policy platform. From the point of view of South Africa, it is positive and supported by the global south.

Brazil disappeared from the global stage once Lula left office but now its standing has improved. At home, Lula's positions have drawn fire from conservative critics who accuse him of losing credibility with Brazil's traditional partners. Lula's administration's position towards conflicts in Ukraine and the Middle East have distanced Brazil from the west. To support the country's huge agricultural sector, Brazil depends on Russia as its biggest supplier of fertilizer. Some argue that the Lula government has abandoned core values and damaged Brazil's interests in a rather naive embrace of global south rhetoric. The consequence is Brazil ends up punching below its potential weight. Others warn against the dangers of excessive ambition. Brazil is an average regional power, says Rubens Barbosa, president of the Institute of International Relations and Foreign Trade and former Brazilian ambassador to Washington. "We don't have the surplus power to influence major issues of war and peace in the world". An advisor to Lula counters that "part of our work is precisely to work against this polarization, which is bad for the world. It's bad for China, but it's also bad for the United States."

Among western diplomats there is anxiety over the direction Brazil may take. Brasília's proximity to Beijing, by far its largest trading partner, is a particular source of concern. Brussels struggled to secure ratification of a landmark trade deal between the EU and the Mercosur block of South American nations which has been pushed by Brasília, a treaty that might serve to lessen Brazil's dependence on China.

During his first time as president, from 2003 to 2011, Lula deployed the pragmatism honed as a trade union negotiator to build bridges between the developed and developing worlds. He cultivated good working relationships across the political spectrum, including the U.S., and the late Venezuelan revolutionary socialist leader Hugo Chávez. In a world facing multiple wars and a climate crisis, such skills are, if anything, even more in demand today.

Tangible results include Brazil's reintegration into international forums, especially on the climate agenda. Brazil's formerly good relationship with Venezuela has become strained since President Nicolás Maduro's contested re-election.

The selection of Brazil to host the COP30 summit in Belém and the restoration of the Amazon Fund, which is managed by the state development bank BNDES and finances conservation projects with foreign contributions but was frozen under Bolsonaro. Along with India, Brazil has also walked a careful path within the BRICS grouping, trying to ensure that it does not turn into an explicitly anti-western bloc. Brasília went along reluctantly with BRICS expansion last year to include Egypt, Ethiopia, Iran and the UAE — a key Chinese goal — but has so far not joined 22 other Latin American and Caribbean nations in signing up for China's flagship international infrastructure program, the Belt and Road Initiative. For Brazil, BRICS is important to show Washington that it has alternatives. Not joining Belt and Road is important to show China that Brazil is a key partner, but not desperate for Chinese investment.

Separately, Lula has also encountered considerable diplomatic challenges on his own doorstep. The "pink tide" of mainly leftwing Latin American governments in which he swam in his first two terms has been replaced by a more antagonistic regional landscape. Conservative governments in neighboring Argentina and Paraguay, plus Ecuador and El Salvador, have clashed with the leftwing presidents of Chile, Colombia and Mexico.

Few are keen to defer to Lula, the veteran standard-bearer of the Latin American left. Lula has also struggled to revive Unasur, the South American inter-governmental organization of his earlier presidencies, and Relations with Venezuela's President Nicolás Maduro have been strained by the latter's insistence that he won an election in July. Most independent observers believe the election was grossly fraudulent. After Brazilian requests to produce evidence of his victory produced months of stonewalling by Maduro, Lula has refused to recognize the election result.

After Brazil blocked Venezuela's efforts to join the BRICS, Caracas recalled its ambassador from Brazil and complained of "immoral aggression."

There is broad agreement that the issue of climate change is where Brazil has the most potential — and moral authority — to exert diplomatic leadership. Deforestation of the Amazon has fallen sharply under Lula, and the nation already generates most of its electricity from renewable sources and is a leader in biofuels.

A key proposal of Brazil's G20 presidency is a global tax on the super-rich. Although the U.S. has poured cold water on the idea, Brazil believes the time has come to put this on the table. However, this could be overshadowed by the election of President President-elect Trump in the U.S. The incoming administration's skepticism about global warming and disdain for multilateralism could threaten some of Brazil's key foreign policy goals.

The G20 summit served as a forum for leaders trying to understand what President President-elect Trump will or will not do and what his policies will likely mean for their respective countries.

Nigeria

Nigerian banks are racing to find new sources of capital after the country's central bank ordered them to strengthen their balance sheets to protect themselves from the Nigeria's worsening economic situation. The Central Bank of Nigeria (CBN), which supervises the country's 25 commercial banks, has given the banks until March 2026 to meet new capital requirements.

The CBN is looking to promote stability in the industry while Nigeria struggles with a deteriorating economy. Since June 2023, there have been two devaluations of the naira as part of market friendly reforms to encourage overseas investment. The currency has lost almost 70% of its value and inflation is above 30%, at levels not seen since 1996.

Africa's largest economy as recently as two years ago, Nigeria dropped to fourth place this year, driven by the volatile currency and declining productivity. According to a Deloitte report, the total capital base of its banks had shrunk to $1.8 billion earlier this year from $5 billion in 2022. For comparison, South Africa's Standard Bank, Africa's largest lender, has tier one capital of $11.9 billion.

Nigerian banks are being encouraged to meet the new rules in three ways: rights issues and offers for subscription, mergers and acquisitions, or downgrading their licenses. The banks cannot use retained capital, debt or other assets already on their balance sheets to meet the new targets. Only paid-up capital and share premiums will count. No bank currently has enough capital to meet the requirements and there have been blanket television, radio, online and billboard advertisements urging people to buy shares. The total shortfall for the industry is estimated at around $3-4 billion.

Industry analysts do not expect the bigger banks to struggle with the new requirements. However, some mid-tier lenders could find it harder and opt for mergers or may have to downgrade their licenses.

The new capital requirements will prompt mergers among the smallest banks. Analysts agree that some mergers are inevitable, but that this will be a last resort. There had been positive sentiment expressed regarding share offers that had already been completed or announced. There are new subscriptions from different investors, and it is understandable given the performance of these banks. Most have good fundamentals which investors find attractive. The investment that is expected will mostly come from international investors.

Nigeria's central bank governor previewed the higher capital requirements at the industry's recent annual meeting, acknowledging that while the banks were stable, they lacked the financial muscle to build the $1trillion economy envisioned by President Bola Tinubu by 2030. The banks were given a month to submit their recapitalization plans to the central bank — a deadline which has passed. The plans are now being reviewed. Broadly, the changes can be viewed as an attempt to increase competition in an industry dominated by the largest participants.

The country's ten biggest banks hold 90% of the assets in the industry. The central bank appears keen for smaller banks to consolidate, highlighting actions it had taken that point in that direction. These include revoking the license of the distressed Heritage Bank and its approval of a merger between Unity, whose books had been in bad shape for almost a decade, and Providus, a regional bank known for its digital innovation.

The last time Nigerian banks were required to boost their balance sheets was in 2004. Then, the central bank announced an 18-month scheme for all commercial banks to shore up their capital base to $195 million. The central bank's research at the time found that many banks had become dependent on deposits related to public sector activity, such as tax and fine collection, and transfers between central and local government. Some banks relied on the government for up to 70% of their deposits, making them "weak and volatile." By January 2006, after the last recapitalization process, 89 commercial banks had become 25. Most are now listed on the Nigerian Stock Exchange, which is credited with improving regulation. The expectation is that once completed the current recapitalization plan will emerge a stronger and more confident banking system. A strengthened financial system will prove more resilient in weathering future economic shocks.

Since the 1980s, when oil prices collapsed, Nigeria has been mired in one crisis after another. But now the largest economy in sub-Saharan Africa is at a turning point. Over the past year, the Nigerian government has implemented major, politically difficult reforms.

An economic turnaround in a country with more people in poverty than almost any other, would be a game-changer for market-orientated reforms across the continent. Consider the scale of the reforms implemented so far. Nigeria now has a market-determined exchange rate, having unified official and parallel exchange rates. Previously, the government had been losing the equivalent of 38 cents for every $1 of government oil export proceeds. This benefited some local elites, who acquired dollars cheaply at the government's expense.

The unification also got rid of a hefty implicit tax on agricultural and manufactured exports. Costly and regressive petrol subsidies are also being cut. This will help to strengthen Nigeria's historically shaky public finances and hopefully restore the naira as a credible currency. Implementing such far-reaching change is impossible without political commitment from the top. The price of gasoline in Nigeria has quintupled since the subsidy cuts, imposing terrible hardship across society. To boost confidence in the naira and anchor inflation expectations, the central bank has had to raise its policy rate by 850 basis points in the last nine months.

Central-bank financing of fiscal deficits has finally ended. Yet, the hard part has only just begun. Nigeria will need to stay the course if it is to become an engine of growth in Sub-Saharan Africa. Although the historical record isn't encouraging — previous reforms have been rolled back — policymakers will need to focus on three critical areas.

First, Nigeria will have to prioritize non-oil growth. This requires a competitive exchange rate, which Nigeria now has. To protect the poor and maintain competitiveness, the central bank must maintain its focus on inflation. It should resist the lure of volatile short-term capital inflows that might push up the naira's value too quickly and stifle non-oil growth in the process. As a priority, it must rebuild foreign-exchange reserves as a cushion against oil price and exchange-rate volatility.

Second, Nigeria must help vulnerable households cope with inflation, which is still high. The government is rolling out a large-scale targeted, temporary cash transfer program. It should also establish a cost-effective safety net to protect the most vulnerable. The third and final priority is to establish a climate in which private businesses can flourish.

Today, less than 14% of working Nigerians enjoy a predictable, fixed wage. Over the next 10 years, the number of Nigerians entering the workforce is set to increase by more than 12 million. Generating the requisite number of good jobs will depend on sparking large-scale domestic and foreign private investment in the non-oil sector.

Failure in Nigeria would set back the cause of reform across Africa, besides ruining the prospects of yet another generation of young Nigerians. The country's elites must forge a political consensus in support of these reforms, because their long-term interests lie in a broadly prosperous and stable society. For its part, the international community should do everything in its power to help the government succeed.

Peru

Copper is one of the most important products in Peru's trade balance, and its export is a fundamental part of the economic engine of the country. A total of 65% of Peruvian copper is exported to four countries: China, Japan, South Korea and the U.S. China is the main buyer of Peru's copper, accounting for a massive 72.9%, making for what is deemed a strategic commercial relationship between both countries.

Peru's Chancay Port, which was built by the Chinese, opened for business on November 14, 2024, trimming the shipping times between China and Peru by a third, and bringing trade links between China and Latin America closer. The new shipping route between Shanghai and Chancay, located just north of Lima, cuts the sea freight journey between China and Peru to 23 days from 38 days, while slashing logistics costs by over 20%.

Chancay Port is a deep-water port with a depth of up to 17.8 meters. It will eventually be expanded to double its capacity. The new port is funded and operated by Chinese companies, reflecting their vision of Peru becoming a transport hub connecting the Asia-Pacific region with South America.

Building of the port began in 2021 and is projected to generate $4.5 billion in annual revenue for Peru while creating over 8,000 jobs. Chinese goods heading to South America and vice versa will no longer need to go through ports in Mexico and the U.S. The new shipping routes will also benefit other countries on the west side of the Pacific Ocean such as Japan and South Korea, as well as cities on the west coast of the U.S.

People in Brazil, Venezuela, Bolivia, Paraguay and Argentina will now see Peru as the port to use when they want to send goods or travel to Asia. Cargo trade between China and Latin America has risen substantially

in recent years, hitting $489 billion in 2023. This year the value of trade between the region and China is set to exceed $500 billion.

Peru is China's fourth-largest trade partner in Latin America and a key investment destination. China has been Peru's biggest trading partner and export market for the last ten years. Last year the value of bilateral trade between the two amounted to $37.7 billion. Trade in agricultural goods exceeds $420 million. Among the most sought-after products by the Chinese are blueberries and fresh grapes, avocados, beef, pork, chestnuts and mangoes. At the Apec summit both countries reaffirmed their commitment to strengthen their trade relations and outlined a strategy to increase the exchange of Peruvian products to the Chinese market.

As happened with the Chancay mega-port, Chinese officials have expressed their intent to invest in the Corio mega-port which is destined to become the main maritime terminal in southern Peru. This project will cost over $7.5 billion, making it one of the most expensive infrastructure projects in the country. When completed, Corio would position Peru as a key player in international trade. The plan is to locate the Corio port in Punta Bombon on the coast of Arequipa where it will be capable of receiving large vessels and handling significant volumes of cargo. This port would transform the economy of southern Peru.

The projects being developed will not only allow for growth in Peruvian mining but will also generate new investment and employment opportunities. The Corio port project has been talked about and postponed for more than 20 years. Following the inauguration of the Chancay Port, China expressed its interest in this area of Peru, finally opening the possibility of the project's execution. However, the regional government of Arequipa has sought to attract North American capital for the same project through the U.S. Embassy. The participation of foreign companies in its development could accelerate its development and construction, as happened with the Chancay Port.

The Corio mega-port envisions a network of interconnected infrastructure, such as rail and air terminal, an operational container logistics system, and industrial and urban zones. The regional government of Arequipa has already reserved 1,227 hectares for development and is in the process of setting aside a further 12,000 hectares to accommodate the full construction of the wider project.

The new land-sea corridor between China and Latin America, developed in just a few years, has garnered significant global attention. Previously, Peru lacked ports capable of accommodating large container ships. These ships had to stop in Mexico, Panama, and other places to transfer goods destined for Peru onto smaller vessels before being transported. With the completion of the Chancay Port, the port berths can now accommodate large container ships with a capacity of 18,000 twenty-foot equivalent units, reducing direct shipping time from Lima to Shanghai by approximately ten days.

With promising prospects for cooperation between China and Latin America, the Chancay Port will strongly consolidate Peru's position as a gateway that connects land and sea, Asia and Latin America.

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Trade Credit & Political Risk

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Trade Credit Insurance provides a cost-effective mechanism for transferring that risk. FCIA's Trade Credit Insurance products protect the policyholders against losses resulting from that non-payment.

Why Trade Credit Insurance?

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A debtor's nonpayment can be caused by commercial events such as insolvency or protracted default. On international transactions, nonpayment can also result from the occurrence of disruptive political events such as wars, government interventions, or currency inconvertibility.

A Few Value-Added Benefits For Insureds

FCIA's Trade Credit Insurance policies offer companies a wide array of flexible coverages. You can insure a broad multi-buyer receivable portfolio, a smaller select receivable portfolio (key accounts), or a single buyer receivable.

Some Value-Added Benefits of Trade Credit Insurance

- Sales expansion
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- Access to better financing terms
- Reduce earnings volatility
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