The Peruvian Defense Industry: Market Opportunities and Entry Strategies, Analyses and Forecasts to 2016

Description: This report is the result of ICD Research / Strategic Defence Intelligence’s extensive market and company research covering the Peruvian defense industry. It provides detailed analysis of both historic and forecast defense industry values including key growth stimulators, analysis of the leading companies in the industry, and key news.

Introduction and Landscape

Why was the report written?

The Peruvian Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2016 offers the reader insights into the market opportunities and entry strategies adopted by foreign original equipment manufacturers (OEMs) to gain market share in the Peruvian defense industry.

What is the current market landscape and what is changing?

During the review period the Peruvian defense budget recorded a CAGR of 13.2%. Expenditure was supported by a modernization program, participation in peacekeeping missions and measures to counter drug trafficking. In 2011 the Peruvian defense budget stood at 1.19% of GDP, and is expected to marginally increase to 1.5% of GDP by 2016. During the review period Peru’s capital expenditure allocation stood at 13.1% of the total defense budget, and this is expected to increase to 16.5% over the forecast period due to the government’s weapons procurement plans.

What are the key drivers behind recent market changes?

Although Peru does not suffer from immediate threats of external aggression, there are several factors that require the country’s defense forces to be adequately prepared, including internal threats from the separatist group, the country’s international peacekeeping missions, and volatile relationships with its neighbors, especially Chile. The Peruvian government is looking to counter the Shining Path group by purchasing arms and training its special forces in counter-insurgency measures. Moreover, the threat from the Shining Path group, increased concern over border security, and military modernization, are expected to drive defense expenditure during the forecast period.

What makes this report unique and essential to read?

The Peruvian defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2016 provides detailed analysis of the current industry size and growth expectations from 2012 to 2016, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides a detailed understanding of emerging opportunities in specific areas.

Key Features and Benefits

Market Opportunity and Attractiveness.

The report provides detailed analysis of the current industry size and growth expectations from 2012 to 2016, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides a detailed understanding of emerging opportunities in specific areas.

Procurement Dynamics.

The report includes trend analysis of imports and exports, together with their implications and impact on the Peruvian defense industry.

Industry Structure.
The report covers five forces analysis to identify various power centers in the industry and how these are expected to develop in the future.

Market Entry Strategy.

The report allows readers to identify possible ways to enter the market, together with detailed descriptions of how existing companies have entered the market, including key contracts, alliances, and strategic initiatives.

Competitive Landscape and Strategic Insights.

The report helps the reader to understand the competitive landscape of the defense industry in Peru. It provides an overview of key defense companies, together with insights such as key alliances, strategic initiatives, and a brief financial analysis.

Key Market Issues

Small defense budget limits the market entry of foreign companies.

With a 2011 defense budget of US$2.1 billion, Peru invests a relatively small portion of its GDP towards defense in comparison with European countries such as the UK and France. Despite the country maintaining an open economy and providing a number of investment incentives, a small defense budget acts as a key challenge for foreign companies interested in entering the Peruvian defense industry.

Lack of transparency hampers the growth of the Peruvian defense industry.

The arms procurement process in Peru is not transparent, with purchases often deemed to be classified and not shared outside the concerned department. The law on contracts and acquisitions requires all state institutions, without exception, to consult the Office of the Comptroller General before making a purchase, but this rule has been violated by the MoD on many occasions. This creates further doubt among international suppliers as the defense contract bidders don't have a clear understanding of the parameters required to be fulfilled in order to secure a contract.

Limited technological capability hinders defense industry growth.

Peru's defense industry comprises small companies with little specialization in weapon categories, resulting in a lack of availability of advanced defense technology in the country, which stands as an infrastructural challenge for the foreign weapon suppliers who intend to conduct business in Peru.

Key Highlights

Peru's defense expenditure expected to register a CAGR of 10.2% during the forecast period.

During the review period, Peruvian defense expenditure grew at a CAGR of 13.2% and registered US$2.1 billion in 2011. The persistent threat from insurgent guerrilla organization the Shining Path group, border disputes with Chile, an arms race within the Latin American region, active participation in peacekeeping missions, and the policing of drug trafficking stimulated expenditure during the review period, and these factors are expected to support defense expenditure throughout the forecast period. Defense expenditure in Peru is anticipated to increase at a CAGR of 10.4% and reach a value of US$3.8 billion by 2016.

Homeland security spending is expected to increase during the forecast period.

In 2011, Peruvian homeland security expenditure valued US$1.9 billion, and is expected to register a CAGR of 8.13% during the forecast period to reach US$2.9 billion in 2016. HLS expenditure will be driven by drug trafficking and organized crime. In order to counter these threats, Peru is expected to invest in surveillance and intelligence technologies such as electronic identification documents and automated border crossing systems.

Modernization of naval and air force capabilities to provide excellent market opportunities.

As a result of the mostly aging naval and air defense systems that make up the country's inventory, Peru finds it difficult to combat with the coca growers in the Amazon, and it has become imperative for Peru to modernize its current navy and air defenses to maintain operational readiness. According to the defense
sources, the Peruvian Air Force is currently upgrading its 12 Mirage 2000 and 18 MIG-29 model type combat aircraft, and in addition, the MoD signed a MoU with Daewoo shipbuilding and marine engineering co., on April 2012, for the construction of new vessels, and maintenance and upgrades of Navy submarines.

Keywords:
Defense, budget, offset, regulation, capital expenditure, army, navy, air force, homeland, drivers, market opportunities, procurement, entry route, key challenge, announcements, alliances, contract awards, financial analysis, business environment
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