



Asia-Pacific  
Economic Cooperation

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## **Peru's FTAs/RTAs**

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**Workshop on Identifying and Addressing  
Possible Impacts of RTAs/FTAs Development on  
APEC Developing Member Economies  
Hanoi, Viet Nam  
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## International Workshop on Identifying and Addressing Possible Impacts of FTAs/RTAs Development on APEC Developing Member Economies

20 – 30 June 2005  
Ha Noi, Viet Nam

## PERU's FTAs/RTAs

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Ha Noi, Viet Nam  
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## TLC: General Purposes

### Competitiveness

- Reinforce **Peru's integration into the world**, which is essential for the development of small economics like ours.
- Increase the flows of **investment**, both domestic and foreign
- Generate greater **efficiency** through better allocation of production factors.

### Employment

- Improve life quality of Peruvians
- Lower prices for consumers
- More variety and quality of products
- Growth in job quantity and quality

## PERU - USA

## Negotiation Issues

- 1.- Market access: Industrial goods.
- 2.- Market access: Textiles.
- 3.- Customs Procedures.
- 4.- Technical barriers to Trade.
- 5.- Rules of Origin.
- 6.- Agriculture.
- 7.- Sanitary and Phytosanitary .
- 8.- Cross border Services.
- 9.- Financial Services.

## Negotiation Issues

- 10.- Telecommunications.
- 11.- E-commerce.
- 12.- Investments.
- 13.- Government Procurement
- 14.- Intellectual Property.
- 15.- Environment.
- 16.- Labor.
- 17.- Competition Policies.
- 18.- Safeguards .
- 19.- Dispute Settlement .
- 20.-Horizontal Issues.

## PROGRESS SO FAR

## Market Access: Industrial Goods

### Progress

- **99% of Peruvian exportable supply of industrial goods enters with immediate tariff elimination.**
- Maintenance of the tariff drawback system and duty free zones.

### Important issues

- Treatment of used goods (including remanufactured goods).

### Progress

- Customs Cooperation
- **Sensitive Issues**
- Treatment of used clothes (Peru is opposed).
- Reciprocal tariff elimination (US proposal).
- *De Minimis* criteria
  - **Challenges**
- Consolidation of conditions achieved with the ATPDEA.
- Treatment for insufficient production

### Progress

- PRODUCTS.-
- Exchange of Offers and Requests and counter proposals
  - Exchange of the Zero for Zero List
- TEXTS.-
- Application of the special safeguard measure (by price or volume)
  - Accords on
    - no application of subsidies to export for bilateral trade.
    - Application of tariff rate quota management.

### Progress

- It has been established procedures for the following:
  - Publication and transparency
  - Release of Goods
  - Review and appeal.
  - Automation of systems .
  - Risk assessment.
  - Cooperation and fight against fraud.
  - Advance rulings
- **In discussion**
- Express shipments.

### Progress

- Agreement on 62% of specific rules of origin at 6 digit level.
- **In discussion**
- Specific Rules of Origin
- Exceptions to “*de minimis*”
- Procedures in case of sanctions.

### Progress - Texts agreed:

- Evaluation of Conformity,
- Technical Regulations,
- Transparency,
- Committee of Technical Obstacles to Trade, and
- Information Exchange, among others.
- **In discussion:**
- Application scope

### Significant Progress on:

- Observance,
- Copyright and Related Rights,
- Transfer of Technology.
- Sensitive Issues
- Patents
- Data Protection
- Relation between Intellectual Property and Access to Genetic Resources and Traditional Knowledge

### Progress

- Establishment of clear and predictable rules fostering investment and trade of services.
- **In discussion**
- Inclusion of professional services (accountancy and temporary permits for nurses and engineers )
- Working group on Professional Services

### Progress

- Peru has excepted from the chapter coverage the programs of food aid and the promotion measures of the PYMES.
- The United States has committed so far Florida, Texas, Arkansas, Utah, Puerto Rico and New York, as the first States under the chapter coverage
- **In discussion**
- Consideration of Andean proposal to establish thresholds
- The Federal Government awaits the reply of the rest of States.

### Progress

- Application scope: It does not apply to past situations or any situation that no longer exists before the entry into effect of the agreement.
- National Treatment: as any other state of the USA
- Arbitration: Ability to preliminarily object disputes that do not fall under the jurisdiction of the Tribunal
- Public Debt : Exclusion of the bilateral debt
- **In discussion**
- Dispute Settlement

**Minu**  
**cetur** **Telecommunications**

**Progress**

- Agreement on substantive issues
- Promotes competition in the telecommunications market

**In discussion**

- There are some minimum wording details which require to be agreed

**Minu**  
**cetur** **Environment**

**Progress**

- Articles agreed:
- Levels of Environmental Protection
- Enforcement of Environmental Laws
- Mechanisms to enhance Environmental Performance
- Environmental Affairs Council

**In Discussion**

- Opportunities for Public Participation
- Biological Diversity and Trade
- Relationship to Environmental Agreements

**Minu**  
**cetur** **Labor Issues**

**Issues included:**

- Ratification of international labor agreements,
- Application of domestic labor laws of the Parties ,
- Procedural guaranties,
- Supervision of the implementation of the chapter ,
- Cooperation, consultation and rights .

**In discussion :**

- Due Process,
- Binding cooperation,
- Inclusion of the Non Discrimination right regarding jobs and
- Protection of labor rights of Immigrant Workers within the framework of the Chapter .

**Minu**  
**cetur** **Trade Remedies and Competition Policy**

**Chapters already agreed between Peru and the USA:**

- Safeguard System for the transition period, it includes compensations and possibility of exclusion of a global OMC safeguard, among others.
- Chapter on Competition Policy acknowledges the development of the issue in Peru and establishes clear rules of behavior for designated monopolies and state-own companies in the FTA.

**Minu**  
**cetur** **Trade Capacity Building (TCB)**

**Progress**

- Chapter agreed
- Creation of the Committee (TCB): It will function during the implementation of the Agreement (15 years)
- Projects aims to the
- Promotion of exports and
- Compensation to potential affected parties
- Existence of National Strategies for TCB

**In Discussion**

- Operation of the Committee
- Continue drafting and articulation of Cooperation Projects

**Minu**  
**cetur** **Nature of the Agreement**

**FTA: Multilateral or Bilateral?**

- Agreement applicable to all the Parties of the FTA .
- It includes preservation clause of the Andean Community Rules (ANCOM) applicable to the relations among the Andean Parties .
- Model of coexistence

**Minu**  
**cetur** **Status**



It is expected to conclude the FTA negotiations in the third quarter 2005

**Andean Community - MERCOSUR**



**Minu**  
**cetur** **FREE TRADE AGREEMENT PERU - MERCOSUR**

The Agreement between Peru and the State Members of Mercosur was subscribed on August 25 2003, in order to conform a Free Trade Zone

**The most important mechanisms of the Agreement are:**

- ♦The Liberalization Program
- ♦The Safeguard System
- ♦Treatment to exports subsidies
- ♦Sanitary and Phytosanitary Measures
- ♦Rules of Origin
- ♦ Dispute Settlement Regime



## FREE TRADE AGREEMENT PERU - MERCOSUR

### Liberalization Program with Argentine and Brazil

- The maximum term for tariff elimination to be applied by Argentine and Brazil to Peruvian exports will be **8 years**.
- Peru will eliminate tariffs in **15 years** for most sensitive products, such as beef, dairy products, wheat and rice .
- For less sensitive products, the tariff elimination term will be **12 and 10 years**



## FREE TRADE AGREEMENT PERU - MERCOSUR

### Liberalization Program with Argentine and Brazil

- Exempted from the liberalization program: **sugar and products from the sugar chain** (e.g.ethanol);
- Immediate tariff elimination for seeds and inputs for the industry .
- 49% and 94% of exports to Argentine and Brazil, respectively will have immediate tariff elimination



## FREE TRADE AGREEMENT PERU - MERCOSUR

### Liberalization Program with Paraguay

- Maximum term of tariff elimination for sensitive products of **13 years and 4 year grace period**.
- General tariff elimination for most of the tariff lines: **8 years**, for both countries.
- **Immediate tariff elimination** for **seeds**.
- Exempted from the liberalization program **sugar and products from the sugar chain** (e.g. ethanol).



## FREE TRADE AGREEMENT PERU - MERCOSUR

### Liberalization Program with Uruguay

- Maximum term for tariff elimination for sensitive products **13 years and 4 year grace period**.
- Tariff elimination in **7 years**, for **20%** of the tariff lines.
- **Immediate tariff elimination** for about **60%** of the tariff lines.
- Exempted from the liberalization program: **sugar and products from the sugar chain** (e.g. ethanol).



## FREE TRADE AGREEMENT PERU - MERCOSUR

### Additional Variable Fees

- The tariff elimination agreed upon is applied only on the **fixed tariff** (it does not include that of the variable fees applicable under the system of price stabilization ).



## FREE TRADE AGREEMENT PERU - MERCOSUR

### General Safeguard

- It has been provided for a general safeguard whenever **imports cause or threaten to cause serious damage** to domestic production. This safeguard is applicable to all tariff lines between the Mercosur countries and Peru .

### Agriculture Safeguard

- It allows adopting defense measures of domestic production whenever damage or threaten of damage is caused because of the increase of volume or price decrease in imports. These measures may be **applied** with **Argentine** and **Brazil** for a some products from the agriculture sector .



## FREE TRADE AGREEMENT PERU - MERCOSUR

### Export subsidies

- Possibility of suspending the benefits of liberalization whenever it is proved that a country grants **subsidies** to export.
- This corrective measure is applied after a brief consultation process, and members retain the right to resort to WTO.



## FREE TRADE AGREEMENT PERU - MERCOSUR

### Sanitary and Phytosanitary Measures

- Aims to prevent that said measures are not applied as to become an arbitrary or unjustified discriminatory tool or a covert restraint to trade .
- Measures will be applied only to achieve an **appropriate level of health, human, animal and vegetal life protection** .



## FREE TRADE AGREEMENT PERU - MERCOSUR

### Rules of Origin

- It includes accumulation with the Andean Community
- Value of Regional Content of progressive adoption
  - 50% up to year 3,
  - 55% up to year 6 and
  - 60% from year 7
- It is established some detailed mechanisms for verifying and controlling the origin of goods .



## Andean Community – European Union



### Association Agreement

#### Conditions established by the EU for beginning negotiations :

- Negotiation will begin upon achieving enough level of regional economic integration
- The negotiation of a FTA shall take place based on the results of the Doha Development Agenda

### ANCOM – European Union Association Agreement

- > **1st stage:** as of January 2005: joint assessment of the Andean economic integration process (Creation of an ad hoc Working Group in charge of the technical aspects. It will meet at least three times, in March/April, June/July and September/October.)
- > **Upon conclusion of the first stage:** substantive negotiations will begin for a mutually beneficial agreement

### ANCOM – European Union Association Agreement

#### Agenda of the 1st meeting, April 4-5 2005, Lima-Peru

1. Institutional and legal framework of the Andean Community ,
2. Regulatory framework and non-tariff barriers of intra-community trade: agriculture and sanitary and phytosanitary
3. Customs Union and free trade issues
4. Trade of Services in the Andean Community

#### Main Conclusions

1. Positive impression by the EU
2. Transparency by the Andean countries
3. General Secretariat of the Andean Community as the speaker for ANCOM

### Free Trade Area of the Americas

#### Free Trade Area of the Americas

#### FTAA



### FTAA

- **Evolution**
- Dec. 1994: launching of the Initiative for the Americas.
- April 1998: launching of negotiations
- April 2001: end of negotiations by January 2005

- **Purpose**
- Prosperity through economic integration and free trade, establishment of free trade area

- **Principles:**
- Consensus,
- Transparency,
- Consistency with WTO,

### Vision of the FTAA as of 2003

- a) Common and balanced set of rights and obligations applicable to all the countries
- b) The countries so deciding may, inside the FTAA, agree additional benefits and obligations.
  - ➔ Possible line of action: plurilateral negotiations within the FTAA to define additional obligations in each area
  - ➔ appropriate balance of rights and obligations to achieve benefits

### FTA Thailand: Issues

- Group of goods
- Group of Services , Investment and Complementation
- Group of horizontal issues

### Rounds: 2004 / 2005

- > **1st Round:** January 2004, Bangkok
- > **2nd Round:** June 2004, Lima
- > **3rd Round:** August 2004, Bangkok
- > **4th Round:** October 2004, Lima
- > **5th Round:** November 2004, Bangkok
- > **6th Round:** August 2005, Bangkok



### Present situation (1): TARIFFS

- Agreement in the modality of tariff elimination for products in basket B (5 years)
- Increasing convergence regarding the contents of all the baskets



### Present situation (2): Commercial Treatments

**ORIGIN:**  
Different criteria for Specific Rules

**CUSTOMS PROCEDURES :**  
Chapter agreed upon

**SANITARY AND PHYTOSANITARY MEASURES :**  
Chapter agreed upon

**TECHNICAL BARRIERS TO TRADE:**  
Pending: translation of rules into English ?



### Present situation (4): Services, Complementation and Investments

**SERVICES:**  
Different Approach

**ECONOMIC COMPLEMENTATION :**  
Chapter under discussion

**INVESTMENTS:**  
Different Approach



### Present situation (5): Horizontal Issues

**CHAPTERS AGREED UPON :**  
Dispute Settlement  
Institutional Issues  
Transparency

**CHAPTERS ALMOST AGREED :**  
Dumping and subsidies  
General Exceptions

**CHAPTER UNDER DISCUSSION**  
General Safeguard



### FTA Singapur: Issues

- Market Access
- Customs procedures
- Technical Barriers to Trade
- Sanitary and Phitosanitary measures
- Rules of Origin
- Trade remedies
- Services
- Investments
- Government Procurement
- Horizontal Issues
- Trade Capacity Building