Trade In Service - Services Liberalization and Negotiations in Peru Experience, Gains, Homework and Sectorial Performance

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Services Liberalization and Negotiations in Peru
Experience, gains, homework and sectorial performance

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- Building Process
  - The first steps (WTO and FTAA)
  - Peru’s Regional Integration in Services
  - The FTAs in Services
- Gains and Homework
- Sectorial Performance (Transport, Telecommunications, Energy and Construction)
The starting point (1992): Reforms and liberalization

- Structural Reforms (Washington Consensus)
  - Liberalization of Goods’ Market
  - Liberalization of Services’ Market (including the liberalizacion of financial market)
  - Liberalization of the capital Market
  - Flexibilization of Labour Market
  - Public administration reform
  - Privatization and Concession processes (liquidation of states monopolies)

The first steps I (WTO)

- Uruguay Round (1995)
  - First agreement negotiated in services
  - Schedules of commitments for market access and national treatment (a first intention to bind the liberalization process mainly in telecommunications and financial services)
  - Specific commitments/annexes on air services, financial services, telecommunications/reference paper.
### The first steps I (WTO)

- **Doha Round (2001)**
  - Market access negotiations (positive approach)
    - Bilateral and plurilateral requests / Peru’s initial and revised offers
    - Sectorial commitments: professional services, CRS, OBS, distribution, tourism, etc.
    - Commitments for temporary movement of natural persons (mode 4)
    - Commitments for outsourcing activities (mode 1)
  - Text negotiations (Peru’s interests)
    - Domestic regulation
    - Subsidies
- **July Failure (2008)**
  - Which shall be the next steps?

### The first steps II (FTAA)

- **Group of Negotiations on Services**
- **Two different approaches**
  - GATS approach (leading by Brazil)
  - NAFTA approach (leading by USA)
- **Text proposals including sectorial developments on:**
  - Telecommunications
  - Financial services
  - Temporary movement of natural persons
  - Professional services
- **The FTAA fails....but it was a great exercise of negotiations which allow us to strength and develop technical capacity on trade negotiations.**
- **In the case of Peru’s services negotiators, the FTAA participation allow us to familiarize to NAFTA approach for forthcoming negotiations.**
Regional Integration (Andean Community)

- Cartagena Agreement (mandate of negotiations)

- Decision 439 (1998)
  - Framework for services liberalization inside Andean C.
  - Negative list approach (in a peculiar manner)
  - Phase out – in principle 2005
  - Possibility to develop sectorial liberalization and some exceptions

- Decision 510 (non conforming measures)
  - Peru (22), Bolivia (35), Colombia (95), Ecuador (95)

Regional Integration (Andean Community)

- Decision 659
  - Implementation of the services liberalization established in D. 439.
  - It states some sectorial-based and measures-based specific treatment

- Sectorial decisions
  - Telecommunications, tourism, energy services, land and maritime transport.
  - Financial services, Professional services, screen quotas (in process of negotiations)
FTA’s I: Peru – US FTA (an emblematic process)

- NAFTA APPROACH
- Cross Border Trade in Services (modes 1, 2 and 4) and Investment (mode 3+)
- Exclusions
  - Air services, subsidies, denial of benefits
- Negative list approach
  - Current non conforming measures (Annex I)
  - Future reservations (Annex II)
- Other obligations
  - Transparency (strong commitments)
  - Domestic regulation (best endeavour commitments)
  - Free transfers and payments
- Sectorial chapters
  - Telecommunications, financial services, e-commerce
- The great absent: Temporary movement of business persons

FTA’s II: Other FTA’s

### FTA’s - NAFTA Approach
- CLOSED (but not in force)
  - FTA Peru – Chile
  - FTA Peru – Singapore
  - FTA Peru – Canada

### FTA’s – GATS Approach
- IN PROCESS OF NEGOTIATIONS
  - FTA Peru - EFTA
  - FTA Peru - China

- IN PROCESS OF NEGOTIATIONS
  - FTA EC – Andean C. (Mix approach)
  - FTA Peru – Thailand (not defined)

Peru strongly prefers the NAFTA approach; however, depending of the importance of the trade partner, there has been applied some exceptions
Services Liberalization / Negotiations: Which have been the main gains for Peru?

- Efficiency gains
- Productivity gains
- Employment-creation
- Increases in capital to finance growth
- Increases in savings and investment
- Transfer of technology
- Building human capacities
- Dynamic gains from competitive infrastructural services
- Security and predictability of market access

Gains from Mode 1 and Mode 4: What could Peru Gain (more)?

- Gains from liberalizing movement of people (mode 4)
  - Remittances
  - New investments (savings)
  - Encourages entrepreneurship
  - Investment in human capital, among others.
- Gains from outsourcing (Mode 1)
  - host economies (Peru):
    - Employment creation
    - Diversification towards services exports (one possibility)
    - Higher wage rates and higher taxation
    - Increases possibilities for strategic investments (local subsidiaries, joint ventures, establishment of R&D centers)
    - other spillover benefits
Policy Homework

- Appropriate macro-economic policies
- Leveraging/Valueing Human Resources and Technological capacity
  - Educational reform
  - Improving the health service and coverage
  - Public investment in Research and Development
- Infrastructure building (transport, logistic, energy and telecommunications)
- Coherent domestic policy & regulatory framework
- Measures to discipline anti-competitive behaviour
- Adoption of a coherent strategy for raising the profile of services industries and exports in domestic economy.
- Establishment of inter/intra-institutional coordination and structures (Public and Private Sector)

Policy Homework

- Support for SMEs
  - Special regimes for the formalization of MYPES.
  - Access to financing and market information and managerial skills
- Export friendly environment
  - Reduction of bureaucratical restrictions
  - Trade facilitacion (logistic chain, migratory reform, etc.)
- Identifying and developing regional markets
  - Most of the traditional and non traditional Peruvian services exports are traded in the Andean region, rest of South America, Central America, Mexico and US.
- Arising national standards to international level.
  - Improving the quality of national services through use of ISO
  - Concluding mutual recognition agreements and alliances
  - Reforming sectorial domestic regulations
Is Peru doing its Policy Homework?

Homework done
- Economic policy
- Educational reform
- Infrastructure
- Policy Coherence
- Competition Policy
- Support for MYPES
- Export friendly environment
- Regional Markets

Pending Issues
- Health Services
- Research and Development
- Infrastructure (a big GAP)
- Arising national standards
- Promotion of Services Exports (regional markets)


<table>
<thead>
<tr>
<th>Year</th>
<th>Telecommunications</th>
<th>Transport</th>
<th>Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>805.3</td>
<td>408</td>
<td>295</td>
</tr>
<tr>
<td>2000</td>
<td>550.4</td>
<td>285.2</td>
<td>659</td>
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<tr>
<td>2005</td>
<td>421.3</td>
<td>381.5</td>
<td>393.7</td>
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<tr>
<td>2006</td>
<td>486</td>
<td>700</td>
<td>480.16</td>
</tr>
<tr>
<td>2007</td>
<td>487.4</td>
<td>800</td>
<td>486.94</td>
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<tr>
<td>2008 (*)</td>
<td>488.45</td>
<td>900</td>
<td>496.02</td>
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</tbody>
</table>

(*) Forecasted
Transport I (main investments committed)

- Lima Airport Partners (LAP) “Jorge Chavez Airport”
  - Enterprise: Flughafen Frankfurt Main AG
  - Concession features:
    - Investment: US$ 1,214’000,000
    - Timeframe: 30 years
    - Type of contract: BOT

- “South Dock” – Callao Port
  - Enterprise: Dubai Ports Internacional
  - Concession features:
    - Investment: US$ 617’000,000
    - Timeframe: 30 years
    - Type of contract: DBFOT (Design, Build, Finance, Operate and Transfer)

Transport II (main investments committed)

- Inter-Oceanic Road (stretches 2,3&4)
  - Concession features:
    - Investment: US$ 810’000,000
    - Timeframe: 25 years
    - Kind of contract: BOT

- Inter-oceanic Road (stretches 1 & 5)
  - Enterprise: Graña & Montero and Hidalgo & Hidalgo
Transport II (main investments committed)

- Concession features:
  - Investment: US$ 282’000,000
  - Timeframe: 25 years
  - Kind of contract: BOT

- Multimodal Axis – North Amazonas

- Concession features:
  - Investment: US$ 223’000,000
  - Timeframe: 25 years
  - Kind of contract: BOT

Transport: Concessions Granted

<table>
<thead>
<tr>
<th>Year</th>
<th>Sector</th>
<th>Enterprise/Project</th>
<th>Transaction (US$ MM)</th>
<th>Investment committed (US$ MM)</th>
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</thead>
<tbody>
<tr>
<td>1993</td>
<td>Airports</td>
<td>Corpac – Airport Jorge Chavez Parking</td>
<td>12.0</td>
<td>0.5</td>
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<tr>
<td>1993</td>
<td>Airports</td>
<td>Corpac - Duty Free</td>
<td>8.7</td>
<td>5.0</td>
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<tr>
<td>1999</td>
<td>Ports</td>
<td>Matarani Port</td>
<td>10.9</td>
<td>7.8</td>
</tr>
<tr>
<td>1999</td>
<td>Terrestrial</td>
<td>Railway System (South, Center and South-Orient)</td>
<td>157.0</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>Airports</td>
<td>International Airoport “Jorge Chávez” (LAP)</td>
<td>1,214.0</td>
<td></td>
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<tr>
<td>2002</td>
<td>Terrestrial</td>
<td>Stretch Ancón-Huacho-Pativilca</td>
<td>61.4</td>
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<td>2005</td>
<td>Terrestrial</td>
<td>Eje Multimodal del Amazonas Norte de IIRSA</td>
<td>223.0</td>
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<tr>
<td>2005</td>
<td>Terrestrial</td>
<td>Inter-Oceanic South Road: Stretches 2, 3 y 4</td>
<td>810.0</td>
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<td>2005</td>
<td>Terrestrial</td>
<td>Stretch Puente Pucusana-Cerro Azul-Chinca-Pisco-Lica</td>
<td>192.0</td>
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<tr>
<td>2006</td>
<td>Ports</td>
<td>Terminal “Dock South” - Callao Port</td>
<td>617.0</td>
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<tr>
<td>2006</td>
<td>Airports</td>
<td>Regional Airport</td>
<td>120.0</td>
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<td>2006</td>
<td>Terrestrial</td>
<td>Stretch 1B - Buenos Aires - Canchaque</td>
<td>31.0</td>
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<tr>
<td>2007</td>
<td>Terrestrial</td>
<td>Inter-Oceanic South Road: Stretches 1 and 5</td>
<td>282.0</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>31.6</strong></td>
<td><strong>3,720.8</strong></td>
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### Telecommunications

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>2007</th>
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</thead>
<tbody>
<tr>
<td>Fixed phones</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No of lines in service</td>
<td>759,191</td>
<td>2,672,678</td>
</tr>
<tr>
<td>Density</td>
<td>3.2</td>
<td>9.64</td>
</tr>
<tr>
<td>No of service suppliers</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Mobile phones</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No of lines in service</td>
<td>52,000</td>
<td>15,417,368</td>
</tr>
<tr>
<td>Density</td>
<td>0.2</td>
<td>55.63</td>
</tr>
<tr>
<td>No of service suppliers</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

### Telecom Suppliers in Peru
- Telefónica del Perú
- Telefónica Móviles
- América Móvil (Claro)
- Telmex Perú
- Nextel
- AméricaTel Perú
- Impact Perú
- Millicom Perú
- Giffat To Home Perú
- Infoductos y Telecomunicaciones
- Comunicaciones Móviles

### Sectorial Stock of FDI, 2008

- Comunicaciones: 32%
- Energía: 11%
- Finanzas: 12%
- Industria: 15%
- Minería: 19%
- Comercio: 4%
- Otros: 7%

Source: PROINVERSION
Telecommunications

Fixed Phones Service / Number of lines in service

Source: OSIPTEL

Telecommunications

Mobile Phones Service
Number of lines in service

Fuente: OSIPTEL
Energy

Evolution of Investments in Electricity Sector (I)

Evolution of Investments in Electricity Sector (II)

Tasa media anual de crecimiento: 21.3 %
**Energy**

**Forecast of the Electrification Coverage**

The construction sector is registering the highest growth in GDP 2008. In April 2008 this sector expands in 33.9%.

**Construction**

The construction sector is registering the highest growth in GDP 2008. In April 2008 this sector expands in 33.9%.
Construction

The construction of infrastructure, malls, hotels and apartment buildings explains the growth

![Graph showing construction sector growth](image)

Peru is experimenting a real “Construction Boom”
THANK YOU!