The Challenge of Strengthening National Trading Capacities

The Free Trade Negotiations Between US and the Andean Nations, challenges and opportunities for Peru

Mercedes Araoz
Universidad del Pacífico
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What does trade capacity building mean for the negotiations?

☑ The FTA with US puts Peru’s development agenda on the spot.

☑ Support for the FTA with US is good (70% of population support, but low knowledge and understanding of what it means for their daily life)

☑ Big expectations and misconceptions on the results and what is coming next

☑ Low level of preparation for facing the new risk and opportunities of openness
the existence of a table on TCB in the FTA negotiations shows a new paradigm in trade negotiations

openness is not enough for achieving growth and development objectives, it should be part of a wider internal development (competitiveness) agenda.

It can’t be done without the commitment of the developed countries and other donors to cooperate in the process, by focusing on the development needs of the recipient country
The Challenges that Peru faces vis a vis the FTA with US
More than 50% of population below the poverty line, we need employment opportunities to tackle this issue

Population below the poverty line (% - Estimated, year 2001)

- Costa Rica: 20.2%
- Chile: 21.2%
- Brazil: 22.0%
- Panama: 37.0%
- Mexico: 40.0%
- Perú: 50.0%
- Colombia: 55.0%

Source: CIA World Factbook
Preparation: Mincetur

Economic and Social Research Consortium
Need for a Research Agenda
Small Internal markets and low purchasing power

GDP Per capita
(US Dollars, 2002)

Source: Banco Mundial
preparation: Mincetur
Exports over GDP are still low

Peru must focus on foreign markets

Source: Mincetur
Peru among its Latin American peers

Source: IADB
Challenges in competitiveness

- Low entrepreneurial development
- Limited International trade
- Underdeveloped Financial System
- Under qualified Human Capital
- Low investment on Innovation and technology
- Poor Infrastructure and privatization process rejection
- Untrustworthy Institutional environment
The importance of a national strategy on trade capacity building

The recipient agenda vis a vis the donors agenda

- Cooperation flows have been supply biased.
- Low coordination between donors and recipients agendas
- Inefficient outcomes:
  - duplicity: among donors and recipient agencies
  - absence of impact
  - lack of coherence and sustainability
  - dependency
- Tied aid and/or conditionality
The recipient agenda vis a vis the donors agenda

- scarce resources demand prioritization by the recipient according to a national strategy.
- Donors will be able to focus their cooperation based upon these priorities.
- this strategy is built by local consensus and should focus on three categories:
  - participation in negotiations
  - Implementation of the agreement
  - Adaptation to the new integration conditions
Trade capacity building as the trigger of the competitiveness agenda

The consensus building

- intra government coordination
- private sector and civil society participation
- coordination with donors
Private Sector and Civil Society Participation

Participación en las negociaciones

Implementación de compromisos comerciales

Adaptación al nuevo marco de la integración

Capacitación Información Difusión

Participación y Consulta

PLAN DE TRABAJO CON LA SOCIEDAD CIVIL
TCB goals

- Allow short term gains from new international markets access opportunities.
- Reallocation of freed resources.
- Supplement the competitiveness policies
The TCB strategy and the Competitiveness agenda

- Competitiveness Agenda
  - Trade Strategy
    - TCB Strategy
    - Trade policy and Negotiations
      - Donors Coordination
        - Inter-institutional Coordination
        - Private sector and Civil Society Coordination
TCB strategy dynamics

- Needs assessment
- Prioritization
- Programs and action plan
Sustainability beyond the FTA

- empowerment of well established local institutions
- Endogeneous and continous process
- Progressive update of the agenda