Peru and integration processes: between multilateralism, regionalism and convergence

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1. Introduction

In general, security, independence and welfare are the main objectives that any state seeks in implementing its policies as they constitute what is called the "national interest". History shows that the provision of security and order together with the pursuit of economic activities for the creation of wealth have always been the essential raison d'être for the formation and development of the state.

In the implementation of such policies, it should be distinguished that the State acts at two levels: within and outside its borders. In the pursuit of increasing welfare for its citizens and facilitating the creation of wealth within its territory, a country's foreign policy executes various actions in the economic field at the international level, including trade, finance, cooperation, investment, science and technology.

Economic policies in pursuit of development are very diverse. One component of it, such as trade policy, can be used to try to achieve different objectives such as economic growth, industrialization, development, self-sufficiency.

In theory, there can be trade policies that range from disconnection - closed to international exchanges of goods and services - to those that are decidedly favorable to free trade. And there is a diverse range of options between these two poles, which governments implement according to political considerations, historical conjunctures and their perceptions of the role of the state and the market in the creation and distribution of wealth and welfare.

From the economic point of view, it should be noted that integration is a means to achieve greater economic development and welfare through *"the greater division of labor that a market enlarged by economic integration allows";* as well as through *"the possibility of using the economies of scale of an enlarged market" (Canesa 1982: 4).* (Canesa 1982: 4).

To these considerations may be added other advantages that a State may derive from its participation in a specific integration process, which may include non-commercial or economic aspects: the greater bargaining power of the group vis-à-vis third parties and the development of joint activities among the member States in various fields.

In other words, integration -as a cooperation mechanism- is an instrument of foreign policy and, as such, can pursue objectives that transcend the purely economic plane. In this respect, the cases of European integration whose foundation sought to avoid the recurrence of war, especially between France and Germany, the creation of the Cooperation Council for the Arab States of the Gulf to protect themselves from a regional hegemonic power, and the democratic clause as a requirement for membership in Mercosur are illustrative (Hoekman and Schiff 2002: 554).

Therefore, in this paper we will assume that the phenomenon of integration alludes to a *"political, economic, legal and cultural trend, aimed at the establishment of an institutionalized cooperation among a limited number of States with characteristics of stability and dynamism for the achievement of common goals"* (Pennetta 2011: 13).

Along the same lines, integration diplomacy would be a special type of cooperation that generally involves a higher degree of formalization, complex institutional arrangements and may even lead to a certain surrender of sovereignty by the States participating in the integration process in favor of a supranational body. An advanced example of integration is provided by the European Union (EU), currently made up of 28 States[1] , which have community policies on trade, agriculture, fisheries and regional development. The EU also has a monetary union under the euro (17 EU States participate) and the Schengen zone, which facilitates migratory transit since visas are not required (22 EU States and 4 European States that are not members of the EU participate).

This article is based on the fact that the integration process in Latin America is currently developing in a context characterized by three trends: i) multilateralism versus regionalism; ii) old regionalism versus new regionalism; iii) the search to overcome subregional schemes in order to achieve regional convergence in integration.

Within this framework, it is assumed that the main axis, from the point of view of economic integration, is the debate on multilateralism versus regionalism, so this essay seeks to describe and analyze this apparent tension. It also seeks to describe how Peru has been implementing its integration policy in this context, trying to identify the relevant internal and external factors, as well as highlighting its results. To this end, we will review, in an illustrative but not exhaustive manner, its participation in the GATT[2] and the World Trade Organization (WTO), entities that embody multilateralism, and, on the other hand, its activity in the Andean Community (CAN), the Pacific Alliance and its recent network of trade promotion agreements (TPAs), insofar as they are manifestations of regionalism, from Peru's perspective. Finally, the process of regional convergence and the role that our country could play in the pursuit of this objective will be analyzed.

2. Multilateralism and regionalism

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[1] In the referendum held on June 22, 2016, the United Kingdom decided to withdraw from the European Union. It remains to negotiate the terms of withdrawal within two years from the notification of the decision made by the United Kingdom to the EU on March 29, 2017.

[2] General Agreement on Tariffs and Trade (GATT)

Within the framework of economic integration policy, a country may decide to join a regional trade agreement, with reciprocal commitments (RTA), or preferential trade arrangements, with non-reciprocal commitments (PTA), made up of a relatively small number of States[3] . It may also decide to join a multilateral trade agreement such as, for example, the agreements administered by the World Trade Organization (WTO), in which 164 members participate.[4]

The main difference, however, is not given by the number of actors in one or the other trade scheme. Participation in a multilateral trade agreement such as the WTO implies a commitment to "non-discrimination". This is achieved through the application by members of two principles: the most favored nation clause (mfnc) and national treatment. According to these principles, more favorable market access conditions granted by one state to products from another member state must be extended unconditionally to all other members of the agreement ("most-favored-nation treatment"). Likewise, there can be no difference in the treatment given to products on the basis of their nationality. In this sense, for example, a WTO member state could not impose a 10% tax on domestic cigarettes and a 20% tax on foreign cigarettes. It has to apply the same tax rate to both ("national treatment").

On the contrary, in the case of the RTA, the State grants preferential trade treatment to goods coming from another RTA member State. But this preferential treatment is not applicable to third countries. In other words, in an RTA, the Member States apply a policy of market opening among themselves, but at the same time it is also a restrictive and discriminatory policy with respect to goods from third countries. In an RTA there is, in this way, a sort of coexistence of trade liberalization within the members and protectionism towards third countries.

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[3] The difference between RTAs and PTAs based on the existence of reciprocal or non-reciprocal commitments is found in the definition of such terms used by the World Trade Organization (WTO). Information is available at https://www.wto.org/spanish/tratop_ s/region_s/rta_pta_s.htm.

[4] As of July 29, 2016. Information is available at https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

Regional trade agreements can take different forms depending on the degree of harmonization of policies or the scope of the agreements between the participating countries. In this sense, the theory of economic integration, the basis of which was developed by Bela Balassa in the 1950s, distinguishes between free trade area, customs union, common market and economic union.[5]

In a *free trade* zone, tariffs are eliminated - either immediately or gradually - between the participating States. In the implementation of this measure, State A stops charging tariffs (duties charged on imported goods for nationalization) on goods coming from State B, which is a party to the Agreement establishing the Free Trade Area (FTA). Each State retains its own tariff rates vis-à-vis third countries. The result is the free circulation of goods within the FTA.

The agreement establishing the FTA includes rules on Rules of Origin. States party to the FTA usually negotiate the conditions that a particular good must meet in order to qualify for the zero-tariff benefit. For example, State A will import at zero tariff bakery products from country B, provided that 65% of wheat flour from millers established in State B has been used in the production of such products. A related issue is the agreement on the entities authorized to issue "certificates of origin", and the reciprocity for the States participating in the FTA to accept the validity of such certificates.

A *customs union* is an FTA with the addition that, in this case, the participating States set a common tariff applicable to third non-member countries. Consequently, there is a need for close coordination among the participating States in setting their trade policy. This situation may result in the fact that, in its relations with third parties, the member state of a customs union has to negotiate trade agreements as part of the bloc and not individually.

A *common market* goes beyond a customs union because, in addition to

[5] The elaboration on the theory of economic integration that follows is based on Dominick, Salvatore (1986). Theory and problems of international economics. Schaum Compendium Series. Bogotá. Mc Graw Hill Latinoamericana.

the free movement of goods and services, there is also the free movement of capital and people. In other words, at this stage of economic integration, there are no barriers to the free movement of factors of production.

The economic union, on the other hand, further deepens the agreements by harmonizing the monetary, fiscal and tax policies of the member countries in order to achieve harmonious development among the participating countries.

It should be noted that these various types of bilateral or subregional trade agreements, which in practice imply an exception to the "most-favored-nation" principle inherent in multilateralism, are legally covered by the provisions of multilateralism itself, i.e., by the rules of the GATT (Article XXIV) and the WTO (Article V of the General Agreement on Trade in Services - GATS).

Indeed, it should be recalled that at the time the GATT was negotiated and signed in 1947, there were preferential trade agreements, such as the British Commonwealth, the French Union and the Benelux Customs Union (Belgium, The Netherlands and Luxembourg), which were not dismantled, but "frozen", by virtue of Article I.2 of the GATT, Annexes A, B and C. In addition, Article XXIV of the GATT was approved, whose numeral 4 recognizes *"the desirability of increasing the freedom of trade by developing, through agreements freely entered into, closer integration of the economies of the countries participating in such agreements".* Therefore, Article XXIV, paragraph 5 of GATT 1947 states that *"the provisions of this Agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area*". For such purposes, such schemes must meet certain requirements that may be summarized as follows: i) the total elimination of trade restrictions for the substantial part of the trade between the constituent territories; ii) that their establishment does not imply greater obstacles to trade with the rest of the world; and, iii) that the tariffs or other regulations affecting the trade of the member countries of an FTA or a Customs Union with third countries are not more restrictive than those applied prior to the creation of such regional trade agreements.

Subsequently, in 1994, within the framework of the WTO, Article V of the General Agreement on Trade in Services (GATS) was approved, which provides that *"This Agreement shall not prevent any of its Members from being a party to or entering into an agreement liberalizing trade in services between or among the parties to such an agreement",* subject to the conditions envisaged in this same article, which refers to a *"substantial sectoral coverage".*

The process of world trade liberalization based on the principle of "trade preferences for all", as in the case of the WTO, is called "multilateralism". The process of trade liberalization in reduced regional spaces, based on the principle of trade preferences for some, but not for all", is called "regionalism".

The relationship between regionalism and multilateralism is a subject that has received considerable attention and analysis in the academic world. Let us recall that the establishment of the WTO -the entity that represents the paradigm of trade multilateralism- was the result of complex negotiations carried out within the framework of the Uruguay GATT Round, which began in Punta del Este in 1986 and culminated in 1994, with the entry into force of the Marrakesh Agreements.

Parallel to this negotiating process, which strengthened multilateralism, it is worth recalling that regionalism was also growing stronger. Indeed, the European Community, established in 1958, embarked on the creation of a common market, an objective that was achieved in 1992. The United States of America signed a Free Trade Agreement with Canada in 1988, and signed the North American Free Trade Agreement (NAFTA) with Canada and Mexico in 1992, which entered into force in 1994. In 1992, the creation of the ASEAN Free Trade Area, a subregional entity created in 1967, was announced. These developments were shaping, on the one hand, through regionalism, the consolidation of economic blocs in Western Europe, North America and Asia; and, on the other hand, through the complex negotiations of the Uruguay Round, multilateralism.

In this context, for some analysts, economic blocs could be seen as a fragmentation of world trade, attributing negative consequences to them[6] , while for others, such blocs could rather be the basis for moving towards the prevalence of multilateralism in world trade, and therefore receive a positive consideration. It was Professor Robert Lawrence who established in academia the terms *"building blocks or stumbling blocks"* to refer to this tension between regionalism and multilateralism.[7]

In this regard, it is considered that regionalism could underpin multilateralism if the agenda of a preferential regional trade agreement develops issues that could later be included in the subject matter regulated at the multilateral level. In this sense, the RTA would act as a sort of precursor to the eventual thematic expansion of the WTO. On the contrary, if the RTA implies closed agreements on tariff or para-tariff issues that will not be multilateralized in the WTO, regionalism would be breaking multilateralism and leaving out important groups of countries.

In addition, the proliferation of RTAs generates the so-called *"spaghetti bowl"* effect. In other words, there are so many sets of specific provisions that correspond to each RTA (on issues such as rules of origin, sanitary measures, technical barriers to trade, and even dispute settlement) that in the end they can generate not only confusion among economic actors, but also higher transaction and trade administration costs, even affecting the efficiency of the global trading system as a whole.

The starting point for this debate on the advisability of promoting multilateralism or regionalism in the economic integration policy of

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[6] See, for example, Bhagwatì Jagdish (2008) Termites in the Trading System. How preferential agreements undermine free trade. New York, Oxford University Press. 160 pages.

[7] LAWRENCE, Robert (1991). Emerging regional arrangements: building blocks or stumbling blocks? In Finance and the international economy. In memory of Robert Maqolin. Oxford, Oxford University Press. pp 22-35.

countries is the theory of international trade, as defined by Adam Smith and David Ricardo. As we know, according to this approach, optimal welfare in the world can be achieved when a situation of full free trade is reached between States, based on specialization and comparative advantages. Therefore, from this perspective, multilateralism is desirable, since regionalism implies discriminatory trade practices towards third countries.

An important element in this analysis was developed by Jacob Viner, who in 1950 explained the concepts of trade creation and trade diversion. According to Viner, there will be "trade creation" when country A increases exports from country B, as a consequence of the trade preferences that A grants to B and that B produces more efficiently. In this sense, "trade creation" is in line with the specialization based on comparative advantages that free trade promotes. It is a positive outcome, from the point of view of world welfare. On the other hand, there will be trade diversion when B's increased exports to A are due to the fact that, thanks to trade preferences, B's products displace the products of country C, being the latter a more efficient producer, but is discriminated against because it has no access preferences to A´s market. This is a negative outcome from the point of view of general welfare.

Relevant here is the work of Cooper and Massell, who point out that a non-discriminatory tariff reduction will allow a country to enjoy the benefits of "trade creation" without having to face the costs of "trade diversion". In addition, they argue that the extent of trade creation resulting from trade liberalization will be equal to or greater than the trade creation resulting from any preferential trade agreement.[8] Consequently, from this perspective, multilateralism is better than regionalism and regionalism appears as a sub-optimal outcome for overall welfare, or in economic jargon, the "second best" scenario.

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[8] Paper quoted by Jayant Menon in "Building Blocks or Stumbling Blocks? Regional Cooperation Arrangements in Southeast Asia." Available at http://www.adb.org/sites/default/files/publication/156678/adbi-dp41.pdf

A later development that should be highlighted is the contribution of Lipsey, who confirms Viner's conclusions in the sense that trade diversion decreases overall welfare, but specifies that this consequence occurs only "when goods are consumed in a fixed proportion". Under other assumptions, Lipsey identifies the so-called "dynamic effects" - in the long run - of regional integration. These are:

- **Economies of scale**: This means that the companies of the integrating countries will now be able to serve a larger market, which is protected from global competition, and will be able to increase their production, achieving lower average production costs. In this sense, the customs union is positive insofar as it will allow an increase in production with lower average costs in a greater number of productive sectors.
- The **effects on competition**. There is no unanimous opinion on this issue. Some economists believe that the customs union encourages competition between companies, thus forcing improvements in production. Others believe that customs unions may encourage the creation of cartels and monopolies.
- Economic growth - Customs unions stimulate innovations, technological advances and thus accelerate **economic growth** by allowing the growth of the size of companies that can invest more resources in research. [9]

I consider these analyses relevant because, in my view, they are complementary. Viner's approach starts from orthodox international trade theory and concludes that multilateralism is better than regionalism for general welfare. It is a more economistic approach. But policies are also underpinned by political, strategic and national interest considerations. Lipsey's contributions are important because they support or explain the decisions of political leaders to form regional trade integration schemes. The evaluation is no longer made exclusively from the point of view of general welfare under the

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[9] This explanation of the dynamic effects of regional integration is taken from the paper Theory of Economic Integration. Available at http://www.eumed.net/cursecon/17/teoria-integracion.htm

parameters of the economic theory of comparative advantages, but from the perspective of the country granting the preferences, the impact on its economic growth, job creation and industrialization process.

At the end of the day, we must keep in mind that regional integration is also a long-standing tool of a state's foreign policy, given that trade agreements with bilateral, regional or extra-regional partners have been employed as *"means to underpin alliances, the promotion of regional peace and stability, and to reward* or *induce cooperation in areas other than trade."* (Van Grassteck 2013: 463).

3. Multilateralism: Peru in GATT and WTO

At this point, it is interesting to review Peru's participation in two moments of the multilateral regime of international trade: in the GATT and in the Uruguay Round that created the WTO, highlighting the commitments acquired in the area of trade in goods, in application of most favored nation status, and in trade in services.

In what context was GATT born? After the Second World War, the prospects for the normal development of international economic relations were not the most auspicious due to the prevalence of excessive protectionism, bilateralism in trade relations, exchange controls, currency inconvertibility, the use of devaluation as a factor of competitiveness, obstacles to payment mechanisms, lack of credit, chaos and financial instability. In this context, under the leadership of the United States of America (USA), the creation of the Bretton Woods institutions was conceived. The International Monetary Fund (IMF) was created to provide short-term financing to prevent countries temporarily facing balance of payments problems from excessively restricting their imports. The International Bank for Reconstruction and Development (IBRD, now the World Bank) would provide long-term assistance to finance infrastructure for development. The International Trade Organization (ITO) was to promote trade liberalization and regulate national trade policies. GATT was negotiated as a sort of chapter of the ITO.

While the IMF and the WB became operational, the ITO charter - which included regulations on trade and employment, trade and development, commodity agreements, regulation of restrictive trade practices, creation of an international organization and dispute settlement - was not approved, basically due to the refusal of the US Congress.[10] Under these circumstances, the GATT was approved to enter into force on January 1, 1948, by means of a controversial Protocol of Provisional Application. According to this Protocol, Part I and III of GATT relating to the most-favored-nation clause and procedures are fully implemented, without exceptions. On the other hand, Part II relating to substantive obligations (customs procedures, quotas, safeguards, subsidies, national treatment) applies *"to the extent not inconsistent with existing legislation".* For this reason, some authors claim that GATT was applied as a sort of trade ethics focused on tariff aspects, limited to trade in goods.

The establishment of GATT enshrines a vision of international trade characterized by the promotion of free trade and the fight against protectionist measures. Peru was one of the developing countries (DCs) that shared this vision and joined GATT in 1951.

It is important to note that from that year until 1962, successive governments in Peru implemented a more market-friendly economic policy. Growth rates were comparatively high and by 1960 its Gross National Product (GNP) *per capita* reached US$ 1,293, an amount that was then 25% above the average for Latin American countries. [11] In other words, in this initial stage there would have been coherence between the trade policies implemented by Peru and its participation in the establishment and development of the multilateral international trade regime.

[10] The context of the creation of GATT is based on **TUSSIE, Diana** (1989) Los países menos desarrollados y el sistema de comercio mundial. Un desafío al GATT. México, Fondo de Cultura Económica. 191 páginas.

[11] Sheahan, John (2001). La Economía peruana desde 1950. Buscando una sociedad mejor. 29-30

However, a more comprehensive evaluation of the orientation of the Peruvian economy since the 1950s and its results is provided by John Sheahan in the following terms:

> *The conservative governments that were in power until 1962 were interested in development, but not in distancing Peru from the world economy. On the contrary, they considered foreign investment as the most promising path to modernization and formulated tax policies to attract it. They supported foreign investor-friendly policies with considerable public investment in infrastructure and opted for moderate increases in protection, while rejecting any strong state intervention. They kept inflation and foreign debt low, but did not concern themselves with rural poverty or the high concentration of land ownership; they repressed labor organization and kept the country's growth dependent on commodity exports and foreign investment".* (SHEAHAN 2001: 33)

The growth of world trade under the GATT postulates was evident. However, in the 1950s it was found that while world trade had grown at an annual rate of 8%, the share of developing countries had declined. From representing one-third of world trade, exports from developing countries dropped to almost one-fifth. The Haberler Report of 1958 supported this trend. It was one of the first pieces of evidence that free trade did not automatically translate into development for some countries.

Faced with this reality, 15 developing countries, including Peru, presented a *Note on the Expansion of International Trade* in 1959, in which they questioned the basic principles of GATT: reciprocity and non-discrimination. Thus, a whole process began in the GATT to try to make free trade compatible with economic development. Peru participated actively in this effort. It should be noted that the relationship between trade and development had been one of the main issues on the international agenda since the 1960s. Let us recall that one of the major events in the second half of the 20th century was the process of decolonization: in 1945, 25% of the world's population lived in colonial territories, while in 1975 the proportion dropped to 1%. In other words, in one generation, 80 nations and around one billion people achieved political independence, in pursuit of the development, welfare and modernization of their societies. It is in this context that, at the international economic level, what some authors call the "politicization of the division between developed and developing states"[12] , or the North-South divide in the international system, took place.

In order to address and resolve the problem of economic imbalance based on the trade regime, the United Nations Conference on Trade and Development (UNCTAD) was created in 1964, and within it the so-called Group of 77 (G-77) was formed, bringing together the developing countries of Latin America, Asia and Africa. Among the main demands of the G-77 were: i) reforms of international rules to make them less asymmetrical and more equitable in order to favor national control of natural resources and capital; ii) improvement of the terms of trade between raw materials exported by developing countries and services and products produced by industrialized countries; iii) promotion of South-South cooperation (ATTINA 2001: 149-151).

It was under these circumstances that Part IV of the GATT was adopted. This regulation enshrines the concept of non-reciprocity in trade negotiations between developed and developing countries. It also calls on developed countries to remove barriers to products of interest to developing countries. However, the results were not as expected. The Peruvian delegate, at the conclusion of the Kennedy Round in 1968, said on behalf of the developing countries: "*These developing countries deeply regret that they are not in a position to share, to the same extent, the satisfaction of the developed countries at the conclusion and results of the Kennedy Round.* "[13]

Subsequently, in 1979, the Enabling Clause was approved, empowering Members to grant differential and more favorable treatment to

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[12] Fulvio Attiná. Op. cit. 149.

[13] As quoted by **TUSSIE, Diana** (1989) Los países menos desarrollados y el sistema de comercio mundial. Un desafío al GATT. México, Fondo de Cultura Económica. 191 p.

developing countries. This implied an exception to the MFN clause, providing that: *"Notwithstanding the provisions of Article I of the General Agreement, contracting parties may accord differential and more favourable treatment to developing countries, without according such treatment to other contracting parties".*

This provision justifies the preferential tariff treatment granted by developed countries to products originating in developing countries; within the framework of the General System of Preferences - GSP (non-reciprocal). And it also covers Regional Agreements concluded between developing countries for the purpose of mutually "reducing or eliminating" tariffs.

This is the basis of the Generalized System of Preferences (GSP). This type of measure constitutes what is known as "special and differential treatment provisions" in favor of developing countries.

In short, it is worth noting at this point that Peru joined the GATT early, in 1951, and shared the spirit on which this agreement was founded in 1948, of promoting progressive trade liberalization at the multilateral level. However, as part of the developing countries, Peru subsequently advocated making the GATT free trade agreement compatible with development expectations. In this process, it is worth noting how the multilateral trade regime embodied in the GATT itself generated the legal frameworks to enable the emergence of preferential schemes, such as Part IV of the GATT in 1968 and the subsequent Enabling Clause in 1979.

The context of the negotiations and creation of the WTO (1986-1994) was different. Among the factors to be highlighted are the following: (i) the successive rounds in the GATT had led to a substantial reduction in tariffs, so that non-tariff issues (including those in Part II of the GATT) became more important and the need arose to regulate them in a binding manner; (ii) technological development, lower transport prices and the behavior of investment flows led to the universalization of production and trade, allowing the international fragmentation of production process, for example, and international trade in services (financial, telecommunications, tourism, etc.) became more visible.); iii) the

European Union and Japan were challenging the commercial hegemony of the United States; iv) a narrowing of the gap between industrialized countries and some developing countries (the newly industrialized countries, NICs[14]), while the gap between the NICs and other developing countries widened; v) the formation of trade blocs that segment international economic relations; vi) the end of the Cold War and the consequent strengthening of the market economy as the organizing principle of the international system in the economic sphere. All this, together with the greater interdependence of economic actors -globalization- created a demand for a better and broader international trade regime, which the GATT, due to its limited scope of regulation focused on trade in goods, could no longer meet.[15]

The Uruguay Round, which began in 1986, culminated in the Marrakesh Agreements, which entered into force in 1995. This implied the establishment of a new and comprehensive international trade regime since: (i) the scope of regulation was broadened from GATT referring to trade in goods, to cover with the WTO the so-called "new issues" such as trade in services, trade-related intellectual property rights and trade-related investment measures; ii) the regulation of trade in goods was completed, since sectors that were exempted from GATT, such as agriculture and textiles, were incorporated into WTO rules; iii) the institutional framework was strengthened through the creation of an international organization such as the WTO, with an effective dispute settlement mechanism.

Peru's trade policy changed considerably between the beginning of the Uruguay Round in 1986 and the one in force in 1994 when the Marrakesh Agreements were signed. Indeed, under the Short-Term Emergency Plan, and in a context of worsening external debt crisis, in order to expand domestic private consumption and facilitate real GDP growth, the maximum tariff increased from 86% in July 1985 to 120% in December 1986, and the number of para-tariff items prohibited for import

[14] South Korea, Taiwan, Singapore, Hong Kong.

[15] This summary of the context of the launching of the Uruguay Round negotiations is based on CASTRO JOO, Luis (2000). Aproximaciones al comercio internacional en los años noventa: Estudio sobre el GATT y la Ronda Uruguay. Lima, Academia Diplomática del Perú, 306 p.

increased from 8 to 541 items in the same period. The number of products requiring prior import licenses increased from 350 to 1574 between July 1985 and December 1986.[16] In other words, in 1986, while at the international level Peru was participating in the Uruguay Round negotiations aimed at liberalizing trade and reaching a consensus on the characteristics of the new international trade regime, at the domestic level measures were being taken to close the economy to the outside world.

The orientation of our country's trade policy was diametrically opposed to that by 1994, when the trade negotiations that established the World Trade Organization (WTO) were concluded. In 1990, in a national environment shaped by the third consecutive year of hyperinflation and recession that brought the GDP of 1990 to be equivalent to the GDP of 1960, without access to credits from the international financial community, with negative international reserves and an external public debt that had risen from US$ 13 billion to US$ 20 billion, an economic stabilization program was implemented in Peru, initially aimed at eliminating the fiscal deficit, unifying and liberalizing the exchange rate, as well as correcting and stabilizing public prices. In this context, in September 1990, the tariff structure was simplified to only three levels: 10%, 15% and 25%, so that the average tariff fell from 66% in July 1990 to 26% in September 1990. As recognized in academia, the adjustment program began to control inflation (inflation fell from 7649% in 1990 to 139% in 1991, and 15% in 1994), which was at the cost of a high recession in 1990, illustrated by the fall in GDP (-3.8%), private consumption (-2.3%) and exports (-6.2%) (Parodi 2002: 259-268).

Trade liberalization continued to advance in March 1991, when tariff levels were reduced to two: 15% for 98% of the tariff universe and 25% for the remaining goods, which included mainly textiles, footwear, agricultural products and household appliances. Likewise, administrative restrictions to the flow of foreign trade were eliminated: licenses, prior and consular visas, quotas, importer or exporter

[16] Carlos Parodi Trece (2002). Perú 1960-2000. Políticas económicas y sociales en tiempos cambiantes. 209.

registrations, permits and other restrictions, with the exceptions established in the Single Text of Prohibited Export Products, restrictions derived from exchange regulations and those established for sanitary reasons, defense of the cultural heritage, environment, internal order and security of the country. Subsequently, in September 1991, Legislative Decree No. 668, Foreign Trade Framework Law, established the freedom of foreign trade, free disposal and convertibility of foreign currency (single exchange rate), freedom to provide services by private operators, elimination of the state monopoly in production and commercialization, elimination of exemptions and tariff reductions to certain sectors, elimination of subsidies, principle of presumption of truthfulness in procedures and control of unfair trade. As Huamán Sialer rightly points out, *"the trade liberalization process initiated was unprecedented in Peru's trade policy. It basically consisted, on the one hand, of unilateral liberalization that reduced the number of tariff rates and, on the other hand, of the promotion of preferential trade".*[17]

In 1994, once the recession was over, the Peruvian economy grew by 13.1% and Peruvian trade policy began to be more in tune with the postulates of the Uruguay Round.

What were the main results of the Uruguay Round for Peru? In 1994, at the conclusion of the Uruguay Round negotiations, which established the WTO, Peru undertook -in the area of trade in goods- tariff reduction commitments to fix its tariffs at three levels: 0%, 30% and 68%, on the basis of the "most favored nation" (MFN) principle. In general, Peru's bound tariff is a maximum of 30%, with a few exceptions for certain agricultural products: bound tariffs at 68% corresponding to dairy products; cereals such as wheat, corn and rice; sugar; and pasta products (WTO 2014: 38). (WTO 2014: 38). Regarding trade in services, Peru "made commitments in seven of the 12 services sectors under the GATS, signed the Fourth Protocol on Basic Telecommunications, accepted the Reference Paper on Regulatory Principles on Telecommunications, and signed the Fifth Protocol on Financial Services." (WTO 2014: 10).

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[17] HUAMAN SIALER, Marco. Evolución cronológica del arancel y de las políticas arancelarias en el Perú. En Revista Lex Vol. 9 No. 8. Lima, Universidad Alas Peruanas. 357-386.

In addition to these commitments to trade liberalization in goods and services, Peru -as a country with a small relative weight in global trade- also benefited from the Uruguay Round, as it established a trade regime based on rules agreed by consensus and strengthened the institutional framework as a guarantee against possible unilateral practices by powerful trading partners. In this regard, it should be noted -by way of illustration- that Peru successfully resorted to the WTO Dispute Settlement Understanding to defend its interests against the European Union, having made its right to export to that large market the *"Coquille Saint-Jacques''* scallops (Trade description of scallops -mollusks of the genus pectinidae, concluded in 1996)[18] , as well as sardines (Trade description of sardines, whose solution was reached in 2003). [19]

Our country's approach to the multilateral trade regime is synthesized in the following statement: *"Peru attaches particular importance to its participation in the multilateral trading system, considering it fundamental to achieving its main trade policy objective of a sustained increase in trade, particularly of non-traditional sectors, enhancing the competitiveness of Peruvian goods and services and fostering trade and investment flows with the world at large".* (WTO 2014: 7)

4. Regionalism in Latin America: "old" and "new" regionalism

In the case of Latin America, two distinct stages of integration processes can be distinguished: "old regionalism" and "new regionalism". Each is associated with different perceptions of the role of the state, the market and the private sector in development and wealth creation.

The "old regionalism" corresponds to a vision according to which development could be achieved through "inward integration", characterized by the implementation of import substitution

[18] See https://www.wto.org/spanish/tratop_s/dispu_s/cases_s/ds12_s.htm

[19] See https://www.wto.org/spanish/tratop_s/dispu_s/cases_s/ds231_s.htm

industrialization policies, creation of economies of scale through the opening of preferential markets, high protection of national industry from competition from third countries, fairly conditional regulation of foreign direct investment, and bureaucratic allocation of industrial sectors in which the State acts as promoter and direct actor of development. This conception prevailed in the 1960s, 1970s and even 1980s and inspired schemes such as the Latin American Economic System (SELA), the Latin American Free Trade Association (ALAC), and the Andean Group, for example.

In the case of the Peruvian experience, the implementation of the import substitution industrialization model strongly activated the national industry, so that the overall GDP between 1969 and 1974 grew at a high annual rate of 5%. On the other hand, the imports that made this industrial growth possible increased from USD 700 million in 1970 to USD 2.390 billion in 1975. In addition, under the paradigm that growth and development not only involved industrialization through import substitution, but also public investment, the government of General Velasco Alvarado prioritized investments in the productive sectors of oil, agriculture, mining and industry, generating a growing fiscal deficit that reached 11% of GDP between 1974 and 1976. All of this was financed through loans and public indebtedness[20] . The foreign debt crisis was the trigger for the so-called "lost decade" in the 1980s and made it unsustainable to maintain this type of integration.

In this context, in the 1990s most of the region's countries implemented structural reforms aimed at giving the market and the private sector a greater role in development, measures framed within the set of policies known as the "Washington Consensus", supported by the International Monetary Fund and the World Bank. As Rosenthal summarizes, the development paradigm based on import substitution and public investment had given way to one in which exports and private investment are considered the main engines of growth (Rosenthal 1996:

[20] Parodi Treœ. op.cit. 114-115.

12).

It is at this juncture – together with factors such as globalization, market expansion, the deepening of trade liberalization and the Uruguay Round, which would establish the WTO to administer the new rules of world trade - that the "new regionalism" emerged. This is characterized by being export-oriented in order to integrate competitively into the global economy, leaving the allocation of resources to the market, and encompasses a broader agenda that transcends simple trade in goods and moves toward deep integration. The reforms included unilateral tariff reductions. This process not only took place in Peru, but throughout the region. In this regard, the Inter-American Development Bank (IDB) states that "*average tariffs in the region fell from more than 40% in the mid-1980s to approximately 12% in the mid-1990s.* [21]

It should be emphasized that, within the framework of open regionalism, deep integration is being sought, which means that the agenda of negotiations to reach trade promotion agreements is broader and more ambitious. Indeed, negotiations are no longer limited to tariff reductions, non-tariff measures, trade in services, but also include intellectual property rights, investment, labor issues, environmental issues, investor-state dispute settlement, and even security-related issues, in an agenda that is known as WTO plus, since it goes beyond the topics covered by that international organization.

5. Regionalism: Peru and the Andean Community (CAN)

In view of the legal compatibility of bilateral or subregional trade agreements with GATT, the trend toward economic regionalism initially took shape with the establishment of the European Economic Community (EEC) in 1958; the European Free Trade Association (EFTA) in 1959; and in our region, through the Latin American Free Trade Association (LAFTA) in 1960; and the Central American Common Market in 1960.

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[21] The concepts of "old regionalism" and "new regionalism" are taken from the Inter-American Development Bank publication available at http://www.iadb.org/res/publicatons/pubfiles/pubb-2002s_8396. pdf and from Jeannete Garrido Carrasco's article available at http://www.il.jursoc.unlp.edu.ar/textos/info me/ integrar47.pdf.

The objective of LAFTA, established in 1960, was to establish a free trade zone within an initial period of 12 years, which was extended to 20 years.[22] It was in this context that in 1966 the Bogota Act was signed by Chile, Colombia, Ecuador, Venezuela and Peru, countries that sought to develop subregional cooperation in order to better position themselves within the negotiations taking place in LAFTA. This international instrument was the forerunner of the 1969 Cartagena Agreement that established the Andean common market or Andean Group, made up of Bolivia, Chile, Colombia, Ecuador and Peru, joined by Venezuela in 1973. This market sought not only to establish a free trade zone and a common external tariff, but also agreed on a series of development policies, including common treatment of foreign capital (Decision 24, among other provisions, limited the remittance of profits from new companies to 14%) and the programming of industrial sectors among the member countries, in line with the postulates of ECLAC's development theories of industrialization by import substitution. Chile withdrew from the Andean Group in 1976 due to divergences with respect to the aforementioned Decision 24 (Bruce St. John 1999: 198-199).

It could be said that the Andean Group was a fairly illustrative example of what scholars today describe as "old regionalism," i.e., closed regional integration. However, it should be noted that the Andean subregional integration scheme set, from the outset, as one of its objectives, the establishment of a free trade zone. In other words, an area to which goods originating or produced in the territory of any of the member states could have access under preferential conditions, with zero tariffs. For such purposes, the Cartagena Agreement contemplated the so-called "Liberalization Program", in its articles 72 and 73.

This process was neither simple nor linear, considering the different political, economic and social contexts of the participating States in which the Liberation Program had to be implemented. Arduous debates,

[22] This objective was not achieved, and LAFTA was replaced in 1980 by the Latin American Integration Association (LAIA), created by the 1980 Treaty of Montevideo.

negotiations, extensions, disagreements and advances were part of this process that began in 1969. In the course of the negotiations, the Andean Group became the Andean Community (CAN) as approved in the 1996 Trujillo Protocol.[23] The main milestones in this complicated process of trade liberalization were the 1987 Quito Protocol, which ratified the desire to create an FTA and establish a common external tariff; the repeal of Decision 24 in 1987, so that the member states could recover their autonomy to regulate investment issues; the Barahona Act, by which the Presidents ratified the political will to establish the FTA; Decision 324 of August 1992; and Decision 353 of August 1994.

Unlike its Andean partners, Peru was able to set a unique pace and timetable for its commitments arising from the Liberalization Program. Indeed, Bolivia, Colombia and Venezuela opened their markets in 1990, while Ecuador did so in January 1993. Thus, in 1993, the free trade zone in which Bolivia, Colombia, Ecuador and Venezuela participated was consolidated. On the other hand, Decision 321 suspended Peru's obligations under the Liberalization Program and the Common External Tariff (CET) until December 31, 1993. Subsequently, Decision 347 extended this suspension of Peru's obligations until April 30, 1994. By virtue of these Decisions, during this period Peru did not participate in the programs for the harmonization of macroeconomic policies, the improvement of the FTA, the definition of the CET, or in possible trade negotiations with third countries.

The influence of the political factor in this singular Peruvian process within the CAN should be noted. The integrationist will at this stage was affected by two events: the political crisis generated by the self-coup of then President Fujimori (who unconstitutionally closed the Congress) in April 1992; and the armed conflict with Ecuador in January 1995. Both events complicated Peru's full participation in the formation of the Andean FTA (Bruce St. John 2011: 123).

Another factor that would explain Peru's initial reluctance to participate

[23] In this regard, see Gonzalo Gutiérrez Reinel (1996). La evolución institucional del proceso de integración subregional andino. En: Política Internacional No. 43, Enero-Marzo 1996. Lima, Academia Diplomática del Perú. 28-38.

fully in the improvement of the Andean free trade zone and the definition of the Andean common external tariff is linked to the unilateral tariff reduction process implemented by Peru in the early 1990's. As has been outlined above, by September 1991, 98% of Peru's tariff universe was subject to a single 15% rate and the remaining 2% to a 25% rate. On the other hand, at that time, in 1992, its partners in the Andean Community were discussing a common external tariff at levels of 5%, 10%, 15% and 25%. In this context, Peru was also considering whether to maintain its autonomy in setting its tariffs, with a view to a more accelerated unilateral reduction, or to link it to a tariff policy to be agreed with its Andean partners.

Finally, Decision 414, dated July 31, 1997, approved the schedule of the Trade Liberalization Program between Peru and the other Member Countries of the Andean Community, for all products of the tariff universe, culminating its full integration to the Andean FTA on December 31, 2005. Since then, the Andean Community (CAN) exhibits the validity of its free trade zone, which covers the entire tariff universe, as one of its main and greatest achievements. In short, Peru has a zero tariff for imported products from Bolivia, Colombia and Ecuador, and its exports enter the markets of these Andean partners under similar conditions.

On the other hand, the objective of creating a customs union through the application of a common external tariff has not been achieved in the Andean Community. Although a common external tariff was approved in 1995, it was imperfect and, subsequently, successive Andean Decisions suspended the obligation to apply Community regulations in this area.[24]

It is important to note that the CAN is an important market for Peruvian companies' industry and manufacturing, which can use it as an initial and learning platform to subsequently approach other more distant and sophisticated markets.[25] In this regard, it should be noted that, in 2016,

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[24] The Andean Common External Tariff obligations have been successively suspended by Andean Decisions No. 679, 688, 693, 695, 717, 771. More information is available at: http://www.comunidadandina.org/Seccion.aspx?id=137&tipo=TE&title=política-arancelaria.

[25] This topic is extensively discussed in the publication by Héctor Zevallos Urquieta and Fernando Gonzáles Vigil "Efecto plataforma de

88.4% of Peru's exports to CAN partners were explained by non-traditional exports, which include manufactures. [26]

Another aspect to highlight is that States and private companies may resort to the Andean Court of Justice to protect the rights derived from the commitments that make up the FTA and related regulations. In the case of Peru, it should be noted that CAN is the only FTA in force in which it participates, given that the tax relief commitments acquired in its PTAs signed with various trading partners will take a few more years to be completed.[27]

It is worth noting that in the CAN there is also free trade in services, except in the Financial Services and Minimum Percentages of National Production Programming in national free-to-air television services.

However, the CAN's achievements go beyond the aspects of trade in goods, trade in services and an efficient dispute settlement mechanism. Indeed, since its creation in 1969, the CAN has accumulated a valuable historical, legal and institutional heritage and has various mechanisms for cooperation and the treatment of issues such as: physical and border integration, social development, health, culture, the fight against drug trafficking, indigenous peoples, energy, small businesses, rural development, disaster prevention, consumer protection, among others. Its institutional framework includes the Andean Development Corporation (CAF), initially formed by the six states party to the Cartagena Agreement. Today, CAF has gone beyond the strictly Andean sphere and is considered the development bank of Latin America, made up of 19 countries and 13 private banks in the region.

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la CAN en las exportaciones manufactureras del Perú y Colombia a los Estados Unidos y la Unión Europea". Lima, Universidad del Pacífico, 2011. 101 p.

[26] According to ADEX statistics, in 2016, Peru exported USD 1,927 million to the CAN, of which USD 1,704 million were non-traditional products. Information is available at: http://www.andina.com.pe/agencia/noticia-impulsaran-exportaciones-pymes-a-comunidad-andina-655831.aspx.

[27] Under the Economic Complementation Agreement between Peru and the Mercosur member states, as of January 1, 2012, Peruvian products enter Argentina and Brazil with zero tariffs. Paraguay and Uruguay have yet to complete the tariff reduction to zero.

On the other hand, the issue of relations with third countries became more complex within the Andean Community when the possibility of negotiating a trade agreement with the United States of America arose. In this context, in July 2004, Andean Decision No. 598 "Trade relations with third countries" was approved. Under Article 1, *"Member Countries may negotiate trade agreements with third countries, primarily on a community or joint basis and exceptionally on an individual basis.* "This rule enabled Peru and Colombia to negotiate the trade agreement with the USA, which Peru signed in April 2006, and which entered into force on February 1, 2009. Ecuador and Bolivia decided not to sign a trade agreement with the USA. Subsequently, Peru and Colombia concluded a trade agreement with the European Union, in force since 2013, and years later Ecuador negotiated its accession to the latter agreement, having signed it in December 2014, which entered into force on January 1, 2017.

Venezuela withdrew from CAN in 2006[28] and negotiated its accession to MERCOSUR. As a background to Venezuela's withdrawal, it should be noted that there was no common Andean position on the United States' proposal, presented in 1994, to create a Free Trade Area of the Americas (FTAA). While Ecuador, Colombia and Peru favored these negotiations, Venezuela opposed them, later supported by Bolivia. In response to the FTAA initiative, based on a trade agreement signed with Cuba in December 2004, Venezuela will promote the creation of the Bolivarian Alliance for the Peoples of Our America (ALBA).[29]

The ambitious process of hemispheric trade liberalization from Alaska to Patagonia, which the FTAA implied, did not prosper. The US was opposed to negotiating the issues of agricultural subsidies and trade remedies (antidumping) in forums other than the WTO. On the other hand, the Mercosur countries, led by Brazil and Argentina, demanded the negotiation of such issues in the FTAA in order to accept progress in the negotiation of issues such as government

[28] This withdrawal was effective as of April 2011, five years after Venezuela formally announced its decision not to remain a member of the Andean Community.

[29] The ALBA member states are: Venezuela, Cuba, Bolivia, Nicaragua, Dominica, Dominica, Honduras, Antigua and Barbuda, Ecuador, St. Vincent and the Grenadines, St. Lucia, Grenada, St. Kitts and Nevis.

procurement, services, investment and intellectual property rights. Venezuela added its support to Mercosur. In this context, at the IV Summit of the Americas held in Mar del Plata, Argentina, in November 2005, the FTAA proposal foundered.

In 2006, the same year in which Venezuela withdrew from the Andean Community, the Andean Community agreed, through Decision 645, to grant Chile the status of associate member state, taking into account Chile's sovereignty and the fact that this country had previously signed bilateral trade agreements with each of the Andean Community's member states.

6. Regionalism: Peru and Trade Promotion Agreements (TPAs)

Peru's trade agreement with the United States of America, initiated in May 2004, signed in April 2006, and in force since February 1, 2009, is an important milestone given that it illustrates the fact that the "regionalism" implemented by Peru not only encompasses subregional trade agreements, such as the CAN, but also bilateral trade agreements and agreements with extra-regional partners, such as the USA.

Globally, the negotiation of this type of agreements began to manifest itself with greater intensity after the establishment of the WTO in 1994. Indeed, according to information from this entity, as of January 1, 2016 *"some 625 RTAs had been notified to the GATT/WTO (if goods and services are counted separately), of which 419 were in force. These WTO figures correspond to 454 established RTAs (goods, services and accessions agreements), 267 of which are currently in force".* [30]

How does Peru reach this type of agreement? Trade policy is usually related, essentially, to the measures adopted by a State that have an impact on the conditions under which foreign suppliers can sell their goods and services in the market of the country adopting such

[30] Information is available at https://www.wto.org/spanish/tratop_s/region_s/region_s.htm

measures. A very illustrative example of trade policy is given by a country's tariff regime for imports of goods, or its rules regulating the establishment of service providers, such as banks, insurance, telecommunications.

From this perspective, studying the economic history of Peru after World War II, Efraín Gonzales de Olarte and Lilian Samamé concluded that the economic policy applied in Peru (of which trade policy is an element), instead of reducing the instability inherent to economic cycles, has deepened it due to the *"pendular oscillation of such policies, which have gone from liberal orthodoxy to populist heterodoxy from one government to another, and even within the same government".*[31] In fact, a review of our country's trade policy during that period shows how certain periods of free trade were followed by more protectionist periods, and then a return to a certain trade liberalization. Behind these marches and countermarches, there was evidence of competing priorities to favor the development of a national industry, or the exporters of raw materials, or simply a lack of clarity and national political consensus regarding the development model to be followed.

As Gonzales de Olarte and Lilian Samamé recall, *"between 1988 and 1989 the GDP decreased by 16.1%, the tax burden levied fell to 3.5%...Net international reserves as of June 1990 were reduced to -130 million dollars, real wages were reduced by 42% and salaries by 56% in relation to 1985".*[32] To this must be added that inflation was 3,398% in 1989. This extremely critical situation was a breaking point for Peruvian society and the Peruvian economy.

Several authors agree that, in that scenario, July 1990, the application of a severe orthodox adjustment was foreseeable in order to try to solve the great macroeconomic imbalances. Roberto Abusada goes so far as to say that *"in a certain way, the new economic policy was defined fundamentally because of a lack of options".*[33] After the orthodox

[31] Gonzales de Olarte, Efraín and Samamé, Liliana (1994). El péndulo peruano. Lima, Instituto de Estudios Peruanos. 2nd Edition.

[32] Ibid. p.37

[33] Quoted by Ricardo Paredes (2010). Introduction to Peruvian international trade (or the defense thereof). In: Guevara

adjustment, a set of measures aimed at creating an economy with a greater role for the private sector, private investment and exports was implemented, as described above.

The relevant aspect of this economic reform is that, since then, our country's trade policy has been moving steadily towards the gradual opening of Peru to the world economy. The pendulum seems to have stopped. As we have analyzed ut supra, the first impact of this process was that the gap that existed between Peru's trade policy in the 1980s and the postulates of the Uruguay Round was closed, allowing our country to show greater coherence in its approaches and to have greater negotiating capacity in the agreements that were finally concluded in 1994 to establish the World Trade Organization (WTO). The commitments assumed by Peru within that framework, both in trade in goods (consolidation of the tariff universe at a level of 30%, with exceptions for certain agricultural products) and in services, were important because, in a way, they acted as an international guarantee of the continuity of the domestic reforms and policies that were being implemented at that time.

In this sense, as part of the strategy of insertion into the global economy, Peru's trade liberalization and the consequent process of unilateral tariff reduction should be highlighted. Thus, while in 1994, in the WTO, Peru consolidated its commitment to maximum tariffs at 30%, under the most favored nation clause, in 1999 the average effective applied tariff was 13%. This average effectively applied tariff decreased successively to 8.2% in April 2007, and to 3.2% in 2013, one of the lowest in the continent, as recognized by the WTO.[34] This unilateral reduction also facilitated the negotiation of trade promotion agreements.

Indeed, the greater protagonism of our country in the multilateral trade sphere in the 1990s was followed in the first decade of the 21st century by a greater emphasis on bilateral trade promotion agreements (TPAs):

Ernesto and Novak Fabián. El Perú y el comercio internacional. Lima, Fondo Editorial de la Universidad Católica. p.22.

[34] WTO (2013). Trade Policy Review of Peru. https://www.wto.org/spanish/tratop_s/tpr s/s289_sum_en.pdf

"this line of action in search of a better insertion in the global economy was decided and adopted in a context that deepened as from 2001, characterized by three factors: i) the adoption by Peru of an outward oriented economic model, taking into account the limitations and size of the domestic market, ii) *the evident importance for the growth of Peruvian exports of preferential trade regimes such as ATPA,*[35] *ATPDEA*[36] *and GSP plus,*[37] *which led it to emphasize an action aimed at legally ensuring the preferential conditions of access of its exports of goods and services to the markets of its main trading partners; iii) the difficulties that arose in the multilateral arena to advance trade liberalization -such as the Doha Round of the World* Trade *Organization (WTO) and the* Free *Trade Area of the Americas (FTAA) in the hemisphere- which led to consider the bilateral or plurilateral route and free trade agreements as the essential instruments to advance Peru's trade policy of positive integration into the global economy."*[38]

It is worth noting that the process of initial negotiations, negotiation, approval by Congress and implementation of the Peru-US Trade Promotion Agreement (TPA) lasted a period in which two governments of our country were involved, and this did not affect the capacity and political will to work towards the same objective. It has been said that the entry into force of the aforementioned TPA was a powerful signal for economic agents, investors and the international community. Therefore, we consider that the signing of the TPA with the U.S. consolidated the direction of Peru's commercial openness to integrate into the world economy.

In turn, the implementation of the TPA with the U.S. implied a consolidation of trade policy in a broad sense, given that the regulations approved went

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[35] Andean Tariff Preference Act (ATPA)

[36] Andean Trade Promotion and Drug Eradication Act (ATPDEA)

[37] Special incentive arrangement for sustainable development and governance (GSP+) of the European Union.

[38] CASTRO JOO, Luis (2013). "La Alianza del Pacífico y la Política Exterior del Perú". En Política Internacional, Revista de la Academia Diplomática del Perú. Enero-Marzo de 2013. 35-55

beyond tariff and non-tariff aspects and the treatment of investments and services. In fact, the domestic regulatory package approved for the implementation of the TPA included labor and environmental aspects, strengthening of public entities, and infrastructure for international trade. And the TPA gained legitimacy in the business community and civil society with the results expressed in increased bilateral trade volumes, diversification of exports, increase of number of exporting companies, improvement of international competitiveness. The TPA -which made it possible to set the red lines of negotiation and train a multisectoral negotiating team- also triggered the creation of an important network of bilateral trade agreements by our country, seeking to improve the conditions for Peru´s economic and social development.

In this regard, in addition to participating in the WTO, CAN and APEC, Peru currently has the following 18 trade agreements[39] in force that reinforce the direction of the trade liberalization policy:

- Peru - EFTA (Iceland, Liechtenstein, Norway, Switzerland)
- Peru - Pacific Alliance (Colombia, Chile, Mexico, Peru)
- Peru - Canada
- Peru - Costa Rica
- Peru - Cuba
- Peru - Chile
- Peru - China
- Peru - United States of America
- Peru - Honduras
- Peru - Japan
- Peru - Mercosur (Argentina, Brazil, Paraguay, Uruguay)
- Peru - Mexico
- Peru - Panama
- Peru - Republic of Korea
- Peru - Singapore
- Peru - Thailand
- Peru - European Union
- Peru - Venezuela

[39] www.acuerdoscomerciales.gob.pe

It should be noted that the Pacific Alliance (PA), a Peruvian initiative established in April 2011, goes beyond a simple trade promotion agreement, for two reasons. First, the PA involves trade liberalization commitments, enshrined in the First Complementary Protocol whose negotiation was concluded in August 2013 and which entered into force on May 1, 2016, liberalizing 92% of trade among the partners, leaving the remaining 8% for gradual liberalization in the coming years. But it goes beyond this commercial sphere, given that the PA is a "deep integration" mechanism to progressively move towards the free movement of goods, services, capital and people. For the time being, in terms of the movement of people, the migratory flow for tourists and business people has been liberalized, but it should be noted that this does not really imply freedom of movement of the labor force, people as workers, as in the European Union, for example.

Second, in addition to the objective of deep integration based on the free flow of goods, services, capital and people, the PA has developed a broad agenda that goes beyond the traditional agenda of a TPA. In this sense, the PA includes: migration issues, movement of people, creation of a cooperation fund, scholarships for the exchange of students and university professors, a cooperation platform to develop projects in various areas (environment and climate change, innovation, science and technology, micro, small and medium-sized enterprises, social development, etc.), a youth volunteer program, a youth vacation work program, consular protection, embassies with shared headquarters, joint work of national economic promotion agencies, and significant participation of the private sector grouped in the Pacific Alliance Business Council (CEAP).

Another main characteristic is that the PA brings together dynamic economies of the Latin American Pacific whose governments are committed to the consolidation of democratic regimes, the rule of law and conceive international trade as an important factor for growth, in order to project themselves more competitively into the Asia-Pacific. The PA is also a very dynamic integration mechanism, which does not have a Permanent Secretariat and a large bureaucracy, but functions on the basis of the holding of the Pro Tempore Presidency. The process is led by the Heads of State, who give clear instructions and mandates, and is supervised at the level of Ministers and Vice Ministers, which has made it possible to obtain concrete results in a relatively short period of time. This has given rise to international expectations and countries even outside the region are following the evolution of the PA with interest. This is illustrated by the fact that there are currently 49 observer countries in the PA.[40]

But what leads states to enter into these various bilateral or subregional trade promotion agreements, which are part of the trend known as "regionalism" as opposed to multilateralism? In academia, three main reasons tend to be highlighted. First, States seek to maximize the benefits derived from bilateral RTAs or FTAs through the advantages usually acquired by the country that first decides to sign such an agreement. In this case, the country concerned prioritizes the benefits of signing a PTA with an important trading partner, before another competing country signs it. Second, the country interested in signing a PTA seeks to secure permanent preferential access to an important market. Such access is made legally binding through the conclusion of bilateral or subregional trade agreements. Third, the conclusion of such agreements may be used by a country's executive branch to facilitate the implementation of domestic reforms, or to anchor certain economic reforms at the level of international commitment and make them permanent over time (Van der Mensbruggheet al 2006: 311). In light of the above, these three reasons apply - to a greater or lesser extent - to the Peruvian experience of negotiating and signing trade agreements, which gained momentum with the entry into force of the TPA with the United States.

What would be the balance of the results of Peru's integration strategy in the context of the so-called open regionalism? Two types of evaluation can be distinguished. One emphasizes economic growth figures, while the

[40] The 49 observer states in the Pacific Alliance are as follows: Germany. Argentina, Australia, Austria, Belgium, Canada, South Korea, Costa Rica, China, Denmark, Ecuador, Egypt, El Salvador, Slovakia, Spain, United States of America, Finland, France, Georgia. Greece, Guatemala, Haiti, Holland. Honduras, Hungary, India, Indonesia, Italy, Israel, Japan, Morocco, Norway, New Zealand, Panama, Paraguay, Poland, Portugal, Slovakia, Spain, United Kingdom, United States of America. Portugal, United Kingdom, Czech Republic, Dominican Republic, Romania. Singapore, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, Ukraine and Uruguay.

other focuses on whether such growth has laid the foundations for the country's sustained development.

On the one hand, it should be noted that, as a result of this trade integration strategy, 94% of Peruvian exports are currently covered by tariff preferences granted under the Trade Promotion Agreements (TPAs). And this policy will be maintained since, according to the Ministry of Foreign Trade and Tourism (MINCETUR), this strategy to turn Peru into an exporting country through the negotiation of TPAs and the promotion of the exportable supply aims at having 27 trade agreements by 2025, which will allow commitments with 72 trade partners.[41] It should be emphasized that, according to MINCETUR's evaluation, this growing network of trade agreements has had a positive impact on non-traditional exports because they have registered an average annual growth of 5.5% since 2009. Indeed, "in *2015 non-traditional exports stood at USD $ 10.755 billion, of which 90.*4% were *sent to countries covered under such agreements, a situation that contrasts with that experienced in 2008, a year in which non-traditional exports covered by trade agreements only represented 35% of the total, equivalent to USD $ 2.597 billion".*[42] *And the value of exports grew exponentially, from USD 12 billion in 2002 to USD 44 billion in 2012.*

It should be added that, in general, the responsible macroeconomic management and the dynamic growth of the Peruvian economy in the recent period have had a significant impact on the reduction of poverty whose incidence decreased from 57.7% in 2001 to 21.8% in 2015, with the extreme poverty rate being around 4%.[43]

On the other hand, it is recognized that between 2003 and 2013 the

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41 http://www.andina.com.pe/agencia/noticia-94-exportaciones-peruanas-estan-cubiertas-tlc-vigentes-589997.aspx

42 Information from the Ministry of Foreign Trade and Tourism, available at http://'ww2.mincetur.gob.pe/ acuerdos-comerciales-favorecen-la-expansion-de-las-exportas-no-tradicionales-y-pemlten-improvements-of-competitiveness-a-las-empresas-peruanas/

43 www.inei.gob.pe and https://www.inei.gob.pe/media/cifras_de_pobreza/nota-de-prensa-n074_ 2016-inei.pdf.

Peruvian economy almost doubled in size and grew at an average annual rate of 6.4%, or 7.1% if 2009, the year of the global crisis, is not considered. This is a remarkable fact given that between 1960 and 2001 only 15 economies had managed to grow at an annual rate of 7% or more. However, Carlos Ganoza and Andrea Stiglich also note that this dynamic growth was not exclusive to the Peruvian economy, but occurred in most Latin American countries. In fact, these authors point out that growth during the 2003-2013 period was almost double that recorded in the region between 1980 and 2003, and that most of the growth of the 7 largest Latin American economies (Argentina, Brazil, Colombia, Chile, Mexico, Peru and Venezuela) is explained by the very favorable external conditions that occurred during that period, an international environment shaped by three elements:

i) the increase in the price of raw materials, especially minerals. Between 2003 and 2013, the price of gold multiplied by 3.8, copper by 4, zinc by 2.3 and silver by 4.9. This had a great impact on Peru, given that it is the world's third largest producer of silver, the fifth largest producer of gold, the third largest producer of copper, and the second largest producer of zinc. These prices in the international market boosted investment in Peru;

ii) The very low interest rates at international level, as a consequence of the US policy of flooding the world with cheap money, in order to fight the ravages of the great global crisis of 2008. As a result, Peruvian companies were able to borrow at very low rates to finance investment and expansion plans, which triggered a boom in mining, corporate, real estate and stock market investment, which boosted domestic consumption; and,

iii)

iv) economic growth in advanced countries. These countries performed well in the period 2003-2007, to which must be added the incorporation of China into the world economy as of 2001, when it joined the WTO, with the consequent effect of lower prices for labor-intensive manufactures and increased demand for raw materials. Those two courses favored Peru (Ganoza and

Stiglich 2015: 27-42).

An issue related to trade policy, insofar as it is a means and not an end, is its real effect on development. In this regard, in the academic literature there are authors such as Dany Rodrick who point out the danger of "overselling the benefits of trade liberalization". Rodrick argues that before worrying about whether the trade policy implemented will generate greater volumes of trade, make its policy more liberal or increase access to external markets, we should evaluate whether trade policy will improve the domestic institutions necessary for development. Namely: respect for property rights, efficient regulatory agencies, stable macroeconomic framework, social security agencies and safety nets, institutions for conflict management.[44]

In this perspective, and in view of the disappearance of the highly favorable external environment, Ganoza and Stiglich warn that economic growth in Peru during the period 2003-2013 would not have laid the foundations for sustained development and that challenges remain to be overcome, such as: low productivity (linked to the quality of education, access to financing, labor market efficiency, technological development, innovation, infrastructure); and institutional deficiencies (informality, weakness of political parties, loss of legitimacy of state powers, and the inability of the state to impose security and fight crime). (Ganoza and Stiglich 2015: 60-63).

7. Peru and regional convergence

Before addressing the issue of regional convergence, it is worth highlighting four recent developments that may have an impact on the prospects for global integration and economic integration: i) the mega-regional negotiations on trade and investment; ii) the withdrawal of the United Kingdom from the European Union; iii) the apparent change of priorities on free trade by the new US administration; and, iv) China's purported leadership in the cause of free trade.

In recent years, against the backdrop of the lack of progress in the WTO Doha Round and the deepening international fragmentation of

[44] Rodrik Dani (2002). Trade policy reform as an institutional reform. http://drodrik.scholar.harvard.edu/files/dani-rodrik/files/trade-policy-reform-institutional-reform.pdf

production and value chains, various trade and investment agreement initiatives have emerged with very ambitious agendas involving important players in the global economy, who aim to write the new rules of international trade, outside the WTO (ECLAC 2014: 23). (ECLAC 2014: 23).

These are the so-called mega-regional negotiations such as: a) the Trans-Pacific Partnership Agreement (TPP). The 12 TPP economies, led by the US, account for 40% of global GDP and a market of 800 million people;[45] b) the Regional Comprehensive Economic Partnership (RCEP), led by China, India and Japan, groups 16 countries representing a market of 3.4 billion people;[46] c) the Transatlantic Trade and Investment Partnership between the United States of America and the European Union (TTIP). The US and the EU combined represent approximately 50% of global GDP and a market of 800 million people; d) The EU-Japan Trade Agreement. Both represent more than 33% of global GDP and a total population of 635 million people.

The European Union is considered to be the most advanced example of successful integration given that together with the recognized achievements of stability, peace and prosperity, other processes are associated such as the creation of the single market, European citizenship, promotion of democracy and human rights, common sectorial policies covering issues such as health, migration, justice, security, foreign policy, among others. However, through a referendum held on June 23, 2016, the United Kingdom decided to withdraw from the European Union and, consequently, Prime Minister Theresa May, in accordance with Article 50 of the Treaty, proceeded on March 29, 2017 to notify the European Union of such decision. In principle, negotiations should be completed within two years, in a process that is expected to be very complicated due to the conditions to be agreed in order to regulate

[45] The TPP groups: Australia, Brunei, Canada, Chile, USA, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

[46] The RCEP groups the ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam) and Australia, South Korea, China, India, Japan and New Zealand.

the withdrawal and subsequent relationship of the United Kingdom with the European bloc, from migration and trade issues to cooperation, security and defense, with the consequent uncertainty that such process will entail.

On the other hand, the United States of America has historically positioned itself as the great promoter of the cause of free trade and in recent years not only signed twenty trade promotion agreements (bilateral and plurilateral), but also led the negotiations of 12 countries aimed at the creation of the Trans-Pacific Partnership Agreement (TPP), which culminated in February 2016. The new administration of Donald Trump, in a decision that has been interpreted as a change in the U.S. role in promoting free trade, in February of this year withdrew the U.S. from the TPP, before the U.S. Congress begins its evaluation. In addition, it announced the renegotiation of the trade agreement that the US has had in force since 1994 with Canada and Mexico. In this context, there is some uncertainty about the future of the Transatlantic Trade and Investment Partnership (TTIP), an ambitious agreement under negotiation aimed at deepening economic relations between the US and the European Union. It remains to be determined whether the Trump administration will really mean a change in the U.S. role as a promoter of free trade or whether its decisions on the TPP and NAFTA have been merely temporary or exceptional measures.

For his part, in his presentation at the Davos Forum in January 2017, President Xi Jinping of China defended the process of economic globalization for its contribution to global growth, inter-exchange of goods, capital and services, as well as progress in science, technology and interaction between peoples. He acknowledged that there had been a time when China had had doubts about its integration into the global market but finally decided to join the WTO. He remarked that China had managed to lift more than 700 million people out of poverty. In this regard, he proposed to the international community to work for a more balanced, fair and inclusive development model. He argued that any attempt to cut off the flow of capital, technology, products and people between economies would not be possible and would go against the tide of history. This statement has been interpreted as an official declaration that China is prepared to lead, if necessary, the cause of free trade and economic globalization.[47]

What is happening at the regional level? Peru not only participates in sub-regional agreements such as CAN, or signs trade promotion agreements, TPAs with regional partners (e.g. Mexico, Chile, Costa Rica) and extra-regional partners (e.g. USA, China, Japan, EU, Korea), but is also involved in different integration schemes such as Mercosur (ACE 58 of ALADI), the Community of Latin American States, the Community of Latin American States (CELAC), the Union of South American Nations (UNASUR), the Latin American Integration Association (ALADI), and the Pacific Alliance. And there are other schemes in the region such as the Latin American Alliance for the Peoples of Our America (ALBA) and the Mesoamerica Project Plan (PPM).

In light of this reality, we believe that Leonardo Granato's diagnosis that "*the excess of integration and consensus-building options, often complementary and sometimes overlapping, makes it difficult to reach consensus on a common agenda"* is well-founded. Therefore, we agree with said author that *"perhaps the greatest challenge currently facing regional integration processes in Latin America is to obtain **greater convergence on** a **shared agenda** to face the impacts of globalization and achieve the desired development and international insertion".*[48]

It must be acknowledged that in the speeches of the region's political leaders, the aspiration to achieve convergence is repeated. But this aspiration has not overcome the initial challenges, such as reaching a consensus on what regional convergence implies, what the bases or thematic areas will be, or who the actors or coordinators are that could follow up on this regional convergence process.

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[47] The text of the speech is available at https://www.weforum.org/agenda/2017/01/full-text-of-xi-jinping-keynote-at-the-world-economic-forum.

[48] Leonardo Granada. Otras experiencias de integración en la región: ALCA, CELAC, Proyecto Mesoamérica y CAN. Clase 8. Flacso-Buenos Aires Diploma en Desarrollo, Políticas Públicas e Integración Regional.

The aspiration to achieve regional convergence is not recent. As early as 1980, article 3 of the Constitutive Treaty of ALADI contemplated convergence, to be achieved through *"the progressive multilateralization of agreements of partial scope, by means of partial negotiations among its members".* However, this multilateralization did not take place *"as a reflection of a weak political will in this regard or due to preferences that* were *granted taking into account the differences in levels of development and productive capacities* existing in *the region" (Palomares 2009: 158).*

In this regard, it should be noted that, unlike the analyses carried out in this paper on the multilateralism-regionalism and old-new regionalism trends, in which the focus of the analysis was on trade policy, the debate on regional convergence transcends the trade sphere to encompass a broader agenda. This is taking into account that schemes such as, for example, UNASUR and CELAC do not discuss trade issues, but others such as democracy, human rights, infrastructure and security.

There is no prevailing or majority opinion on what should be the bases or actors to build this regional convergence or shared agenda. Félix Peña maintains that the schemes that have the greatest potential to work in an articulated manner, taking into account their spheres of action, are: ALADI, CELAC, UNASUR and MERCOSUR. Further on, Félix Peña himself points out that '*convergence between MERCOSUR and the Pacific Alliance should be a priority* objective *given the economic and political* relevance of the participating *countries*'.[49]

Peru, as a full member of the Andean Community and the Pacific Alliance, is in an expectant position to participate in this task of seeking regional convergence.

At the South American level, Peru should promote the consideration of the Andean Community (CAN) as a real candidate for the construction of this regional convergence and common agenda. Of the 12 South American states, the CAN groups 4 of them. For Bolivia,

[49] Félix Peña: ¿Un nuevo mapa de cooperación e integración latinoamericana? La Alianza del Pacífico y el futuro del Mercosur. Clase 7. Flacso-Buenos Aires. Diploma en Desarrollo, Políticas Públicas e Integración regional.

Colombia, Ecuador and Peru, the CAN is the main area of subregional integration. The CAN market is particularly important for the SMEs of its member states and its achievements transcend the area of trade in goods, services and dispute settlement, as described above.

The other pillar should be Mercosur, of which Peru is an associated State. The progress made by Mercosur is well known, both in the initial stage of the 1990s, when industrial productive complementarity was emphasized, and in the period after 2003, starting with the so-called "Buenos Aires Consensus", which implied going beyond economic integration to move towards a concern for a social agenda, inclusion and equity, highlighting, for example, the creation of the Mercosur Structural Convergence Fund (FOCEM).

In other words, both CAN and MERCOSUR are integration schemes that have moved from trade and productive aspects -in both cases- to a more global integration with social and cultural components, and the development of an important institutional structure. These characteristics are not found in most of the other integration initiatives in the region, so, from my point of view, it would be pertinent to consider CAN and MERCOSUR as natural candidates to work towards regional convergence and a common agenda.

As an exploratory measure, there are three ways to initiate this convergence. The first one takes into account that CAN member states such as Bolivia and Ecuador have expressed their interest in belonging to MERCOSUR. This situation does not necessarily imply a crisis or fragmentation of the CAN, but could be treated as an opportunity: the dual full membership of Bolivia and Ecuador in the CAN and MERCOSUR could be a way for the two integration processes to converge. The political will of the States concerned to agree on the necessary flexibilities, among others, is fundamental to progress towards this objective.

The second way is in the area of trade. In fact, there is a legal framework in force through which the member countries of the Andean Community and Mercosur have decided to establish a free trade area. This framework consists of the Economic Complementation Agreement No. 36 between Bolivia and the Mercosur member states (1996); the Economic Complementation Agreement No. 58 between Peru and the Mercosur member states (2003); and the Economic Complementation Agreement No. 59 between Colombia, Ecuador and Venezuela and the Mercosur member states (2004). The full implementation of these agreements would be the basis for deepening trade relations between the two integration schemes.

The third way is to gradually advance in the regionalization or "South Americanization" of the progress achieved in the CAN and MERCOSUR, depending on the individual issues involved. In this regard, one could start with the construction and promotion of a "South American identity and citizenship", the mandate of which is held by UNASUR. The issue of South American citizenship is enshrined in UNASUR's agenda since the signing of its Constitutive Treaty in 2008, in two specific paragraphs.

The third paragraph of the preamble states that the Member States *"AFFIRM their determination to build a South American identity and citizenship and to* develop *an integrated* regional *political, economic,* social, *cultural, environmental, energy and infrastructure space, in order to contribute to the strengthening of the unity of Latin America and the Caribbean". In* other words, the political will manifested by the Heads of State and Government is aimed at the creation of a South American citizenship linked to three aspects: South American identity; regional integration; and the strengthening of the unity of Latin America and the Caribbean.

In addition, Article 3, paragraph i) provides that the specific objective of UNASUR is *"the consolidation of a South American identity through the progressive recognition of the rights of nationals of a Member State residing in any of the other Member States, in order to achieve South American citizenship".* It should be emphasized how in the Constitutive Treaty of UNASUR the concept of citizenship is closely linked to that of South American identity.

Based on the progress made in the CAN and Mercosur, the basic regulations for the adequate insertion of citizens in the host countries could be progressively harmonized, such as: migratory regularization, recognition of studies and degrees, labor insertion and health benefits, social security, among others. This would have a great impact on citizens, who would see a concrete result of integration in their daily lives, generating legitimacy and support for the political process of regional convergence.

In short, I believe that there is a basis for working towards regional convergence at the South American level, starting with trade issues and the social agenda of integration, based on the progress made in the CAN and Mercosur, under the umbrella of UNASUR. It remains to be seen whether there is political convergence among the leaders of the region to move in this direction.

On the other hand, the Pacific Alliance is a relatively young integration scheme, so its institutional development and regulatory and normative acquis is not yet comparable to those of Mercosur and the Andean Community. In this perspective, the eventual convergence from the Pacific Alliance to Mercosur would seem to focus, at this juncture, more on trade and economic complementation. This convergence would bring together the seven largest economies of Latin America and the Caribbean. The two schemes combined account for more than 90% of the region's GDP and more than 80% of the regional population. The presence of Mexico, as a member of the Pacific Alliance, would project this convergence to the Latin American sphere. Studies on the subject have underscored the importance that this convergence could have in efforts to potential complementarities among participating states, and diversify the region's productive structure and exports. (ECLAC 2014)

8. Conclusions

Regional integration is currently taking place in a context characterized by three simultaneous trends: multilateralism vs. regionalism; old vs. new regionalism; and aspirations to overcome the different existing regional schemes by achieving "regional convergence.

The debate between multilateralism and regionalism is twofold. First, an orthodox economic assessment according to which multilateralism -understood as generalized trade liberalization, without discrimination- is the best option for general welfare insofar as it makes comparative advantages and the best allocation of resources more evident, producing greater efficiency.

From this perspective, regionalism - understood as trade liberalization for some, not for all - is criticized because it would affect general welfare. This approach is qualified by the introduction of the concepts of "trade creation" and "trade diversion", effects generated by regionalism. However, despite numerous studies and academic research, there is no categorical answer as to whether the global regionalism of the RTAs in force produces greater "trade creation" (so its effect would be positive) or greater "trade diversion" (so its effect would be negative). There are studies that conclude one way or the other.[50]

Second, there is a political approach that complements the economic vision and reminds us that the regional trade agreements that manifest economic integration are also old foreign policy instruments used to consolidate alliances or create environments for peace and stability, as illustrated by the origins of today's European Union after World War II. It should also be recognized that not all integration processes are established for economic reasons, but may rather pursue political objectives such as security, governance, promotion of democracy and human rights.

Within regionalism, there is a tension between the "old" and the "new regionalism". While the old regionalism implied closed, protectionist schemes, functional to import substitution industrialization, bureaucratic industrial programming and greater presence of the State,

[50] See in this regard, for example, the review of various research with contradictory results in VAN GRASSTECK, Craig (2013): pp. 465-466.

typical of the 60s, 70s and 80s; the "new" regionalism favors greater trade openness, export promotion and deepening of the trade agenda. In the case of Peru, during the GATT in 1969, it participated in the creation of the Andean Group, whose characteristics are close to the "old regionalism". This same scheme, under the WTO, was transformed into the Andean Community, which finally managed, on December 31, 2005, to complete the establishment of an FTA for the universe of goods produced by Bolivia, Colombia, Ecuador and Peru, which are imported at zero tariff. From a certain perspective, the reformulated CAN would be inserted into the "new regionalism".

This "new regionalism" also includes the policy of trade liberalization initiated by Peru in the 1990s and consolidated since 2001 through the signing of numerous trade promotion agreements (TPAs), which are the legal framework within which 94% of Peruvian exports are exported under preferential conditions. This same spirit explains the creation, in 2011, of the Pacific Alliance, a Peruvian initiative that has already liberalized 92% of its trade, but which is developing an agenda that goes beyond simply trade.

The agenda of the TPAs negotiated in the context of the new regionalism is broader and tends to address both trade issues that are more ambitious than those agreed at the WTO level, as well as extra-trade issues. Examples include the Peru-US TA, which includes labor and environmental issues, investor-State dispute settlement[51] ; and the Multi-Party Trade Agreement with the European Union, which includes democracy, human rights, international disarmament obligations and non-proliferation as essential elements of the agreement.[52]

Participation in a regional trade agreement and in a multilateral trade

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[51] Chapters 10, 17 and 18 of the Peru-US Agreement, whose text is available at: http://www.acuerdosœmerciales.gob.pe/index.php?option=com_content&=category&layout=blog&id=57&Itemid=80

[52] Articles 1 and 2 of the Peru-European Union Agreement, whose text is available at: http://www.acuerdoscomerciales.gob.pe/images/stories/union_europea/espanol_2012_06/01_disposiciones_iniciales.pdf.

agreement should not be seen as mutually exclusive options. Depending on how trade policy is implemented and the final objective pursued, regionalism can contribute to multilateral trade liberalization. In this sense, based on the Peruvian experience, it could be stated that:

i) Participation in a regional trade agreement can create conditions for developing the competitiveness of national exports, so that more sophisticated and distant markets can then be addressed. This is a valid objective. A clear example is the importance of the Andean Community market for Peruvian manufactures.

ii) If the negotiating process at the multilateral level stalls, it is possible to move forward with trading partners at the regional level who are determined to make greater liberalization commitments. The commitments assumed by Peru in its trade agreements with the U.S. and the EU, insofar as they are greater obligations than those it assumed in the WTO, theoretically place it in a better position and make it more willing to assume commitments at the WTO level at a later date. For example, Peru's bound tariff in the WTO is 30%, but the tariff applied or assumed in various trade promotion agreements (TPAs) is significantly lower. Hence, Peru would be in a relatively comfortable position to assume greater commitments at the multilateral level.

iii) Peru, as a consequence of the change in economic orientation initiated in 1990, even made unilateral tariff reductions. While the bound tariff in the WTO is 30%, with some exceptions for agricultural products, the average tariff effectively applied since 2013 is 3.2%, one of the lowest in the region. It is valid to try to capitalize on such reductions and obtain reciprocal commitments from other trading partners under the framework of a regional agreement and, later, at the multilateral level.

The results to which, among other measures, Peru's integration policy has contributed can be evaluated in two ways. One emphasizes the economic growth figures, while the other emphasizes whether this growth has laid the foundations for sustained development of the country. On the one hand, the value of Peruvian exports grew exponentially, from USD 12 billion in 2002 to USD 44 billion in 2012. This in a larger context in which the Peruvian economy almost doubled in size and grew at an average annual rate of 6.4%, in the period 2003-2013, with a significant reduction in poverty, whose incidence decreased from 57.7% in 2001 to 21.8% in 2015, with the extreme poverty rate being around 4%.

On the other hand, it is emphasized that this dynamic growth was not exclusive to the Peruvian economy, but occurred in most Latin American countries, due to a very favorable international context. Once this highly favorable external environment has disappeared, the transition from economic growth to development would imply for Peru to overcome two challenges: low productivity (linked to the quality of education, access to financing, labor market efficiency, technological development, innovation, infrastructure); and institutional deficiencies (informality, weakness of political parties, loss of legitimacy of state powers, and the inability of the state to impose security and fight crime).

The proliferation of numerous integration schemes has led to the establishment of so-called "regional convergence" as an aspiration. At this level, the scope of the debate goes beyond mere economic integration considerations. However, despite the various declarations and political will expressed, there is no prevailing or majority opinion on what should be the issues, bases or actors to build this regional convergence.

Peru's membership in the Andean Community and the Pacific Alliance creates an expectant position for our country to contribute to this task of seeking regional convergence, which should be promoted in South America on the basis of **the** progress made in the CAN and MERCOSUR. One way, in addition to the full implementation of the CAN-Mercosur free trade zone, which already has **an** established legal framework, would be to achieve the regionalization or "South Americanization" at the UNASUR level of the progress achieved in the CAN and MERCOSUR, depending on the individual issues involved. One issue that would offer greater potential would be that of "South American citizenship". On the other hand, the eventual convergence of the Pacific Alliance and

Mercosur would have to focus on trade and economic complementation.

This search for regional convergence is taking place in a global context shaped by the mega-regional negotiations on trade and investment that seek to set new standards for trade regulation, outside the WTO; the questioning of integration within the European Union, as illustrated by Brexit; and an apparent challenge to leadership in the promotion of free trade in view of the Trump administration's specific measures regarding the TPP and NAFTA, as well as the eloquent defense of economic globalization made by the President of China, Xi Jinping, at the last Davos Forum.

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