

Statement of Peru about the Peru-Australia Free Trade Agreement

Over the last 20 years, Peru has implemented a trade policy which has among its main goals to ensure the integration of Peru with the world. In this context, for Peru, the relation with Australia is a key element in its trade policy of openness to the world.

Particularly, the Peru Australia Free Trade Agreement or PAFTA is the most important step for strengthening the bilateral ties between both countries and it will bring incomparable benefits to Peru and also to Australia.

On one side, PAFTA will allow Peru to continue implementing its agenda of integration with the world, particularly with the Asia Pacific region. On the other side, PAFTA is fundamental in strengthening the presence and the links of Australia within the Latin-American region. Even when currently there is dynamism in the flows of trade between Australia and Latin-America, this trade can be boosted and increased with PAFTA, allowing Australian products and services to position itself in Peru and in other Latin-American markets.

As we know, Peru and Australia are parties to the CPTPP, an agreement in which they have already made trade commitments between each other. However, both governments decided to launch the negotiations for a bilateral trade agreement with the assurance that it was feasible to obtain better results than those obtained in the CPTPP in some particular areas of interest of both countries.

Because of this willingness and commitment of both countries to achieve a trade agreement, it was possible to conclude the negotiations for a modern and comprehensive FTA in almost 6 months. This short period confirms that both countries negotiated in good faith, with the clear purpose to strengthen the bilateral trade in goods and services and to increase the flow of investment between the two countries.

Additionally, one of the elements that helped both countries in concluding PAFTA in the short term was the support provided by the private stakeholders. No opposition from the Peruvian private sector was registered with respect to PAFTA. On the contrary, private stakeholders supported PAFTA based on the fact that both economies are complementary and can obtain mutual benefits from this agreement.

If we want to mention specific examples of benefits of PAFTA, it is necessary to highlight that the characteristics of both economies provides huge opportunities for the economic operators.

On one side, the Peruvian economy has shown an important dynamism that has not decreased in the last 20 years. This means that PAFTA will create huge opportunities for Australian exporters and investors, allowing them to enter in one of the most dynamic markets in Latin American region. On the other hand, it will allow Peruvian exporters to enter into a market that has amongst the highest levels of economic growth and purchasing power in the Asia Pacific region, creating important opportunities for the Peruvian products.

Particularly with respect to the trade in goods, it would be important to highlight concrete results in numbers: under PAFTA, Peru is granting tariffs preferences to more than 93% of products exported by Australia to Peru. This means that almost all the Australian exports to Peru will face no tariffs in Peru at the entry into force of the agreement. This is a better

treatment than the one reached in the CPTPP and it is the best tariff preference that any country has achieved under a bilateral trade agreement with Peru.

It is very important to remark that Peru is granting tariffs preferences to Australia in agricultural products that were not granted in CPTPP: dairy, sugar, maize, rice and sorghum. This kind of benefits will give Australian exporters an advantage in the Peruvian markets with respect to other CPTPP countries, and with respect to almost every other country around the world.

Additionally, under PAFTA, almost 97% of the Peruvian products will enter Australia with no tariffs. These numbers show that both countries shared the goal to liberalize its bilateral trade, creating opportunities and benefits for their exporters and importers. As we mentioned before, since both economies are complementary, both countries will benefit from the links of openness created by PAFTA.

However, these are not the only benefits that Australia will bring to both countries. For example, PAFTA contains provisions which ensure that any technical regulation or sanitary measure will be implemented in an efficient and transparent manner, avoiding imposing obstacles to the bilateral trade.

Additionally, we can mention that PAFTA contains ambitious provisions regarding the trade in services area. In that way, PAFTA will certainly boost the trade in services sectors, like educational, mining and financial services sectors.

Apart from these chapters, we could comment a very high number of areas in which PAFTA will create benefits and opportunities for both countries. However, despite the positive impacts that PAFTA will bring for Australia and Peru, we are aware that there are some concerns regarding two areas of the agreement: the Temporary Entry of Business Persons chapter and the Investment chapter. We will take this opportunity to explain the reason why we strongly believe that those concerns are fully addressed in the agreement.

With respect to the Temporary Entry of Business Persons Chapter, it is important to highlight that Australia is not eliminating the labour market test in PAFTA. However, Peru is assuming the commitment of not applying limitations to Australian business persons seeking to enter to Peru.

This means that, while Australia will maintain its labour market test in PAFTA, Australian business persons will have the benefit to enter to Peru with no limitation. This is certainly an important element to take into account considering the high number of Australian business persons that constantly enter to Peru for doing business or invest.

With respect to the Investment chapter, it is important to highlight that PAFTA includes an Investor-State Dispute Settlement Mechanism (ISDS mechanism) that contains clauses that allow the States to regulate health, environment and other legitimate issues.

Additionally, this agreement includes clauses related to anticorruption, branches of non-party companies and safeguard of public policies. This means that although a favourable framework for investments is provided, PAFTA preserves the right of both States to regulate. It is important to mention that some of these safeguards have not even been included in CPTPP or other Australian FTAs.

Nowadays, there is no major Peruvian investors in Australia. It means that this mechanism will exclusively benefit Australia, giving protection to important Australian investments in Peru, like mining sector. The framework established by PAFTA will encourage investors in another important sectors in Peru.

In that sense, the concerns that have been raised regarding PAFTA are fully addressed in the agreement. This means that there should be no obstacle for both countries to continue with the ratification process of PAFTA.

In the current international context, in which some countries have decided to take the path of tariff restrictions, PAFTA consolidates the image of Australia and Peru as countries committed to increase their economic growth and the welfare of their citizens through the openness of trade and the elimination of barriers.

Given the importance of PAFTA, Peru has given high priority to this agreement and has accelerated the ratification process of this treaty. Peruvian government expects that the Australian authorities could also conclude its ratification process in order to achieve the entry into force of PAFTA in the shortest term.

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