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POLITICAL ECONOMY  
APPROACH OF TRADE  
BARRIERS: THE CASE  
OF PERUVIAN'S  
TRADE  
LIBERALIZATION

Mario D. Tello

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## **THE POLITICAL ECONOMY APPROACH OF TRADE BARRIERS: The Case of Peruvian's Trade Liberalization**

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### **ABSTRACT**

This paper analyzes the political economy factors and actors that may have influenced trade instruments in Peru during the liberalization period of 2001-2015 (which started in 1990 under Fujimori's administration). The evidence supports the hypothesis that Peruvian trade barriers liberalization in period 2000-2015 was led by the powerful 'Ministry of Economy and Finance (MEF)', accompanied by traditional and diversified exporters (that consolidated the unilateral trade liberalization) and by import substitution firms that influenced to some degree, and reduced the speed rate of, the process of the unilateral trade barriers liberalization. In addition, the unilateral trade liberalization was facilitated by the weak role of the formal labor force and consumer's interest groups with liberal orientation.

Key words: R&D internal and external, Innovation, Productivity, CDM model.

JEL: O31, O3, O

### **RESUMEN**

Este trabajo analiza los factores y actores de la economía política que pueden haber influido en los instrumentos comerciales en Perú durante el período de liberalización de 2001-2015 (que comenzó en 1990 bajo la administración de Fujimori). El análisis y las evidencias respaldan la hipótesis de que la liberalización de las barreras comerciales peruanas en el período 2000-2015 fue liderada por el poderoso MEF y acompañado por exportadores tradicionales y diversificados que consolidaron la liberalización comercial unilateral, y por empresas de sustitución de importaciones que influyeron en cierto grado y redujeron la tasa de velocidad del proceso de liberalización de las barreras comerciales unilaterales. Además, la liberalización unilateral del comercio fue facilitada por el papel débil de la fuerza laboral

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formal y los grupos de interés del consumidor con orientación liberal.

Palabras Claves: I&D interna y externa, Innovación, Productividad, modelo CDM.

JEL: O31, O3, O

## INTRODUCTION

Peru's current international trade strategy, which started in 1990s, is based upon three main set of policies: the unilateral trade liberalization process; a set of bilateral and regional preferential trade agreements (PTA) and export promotion policies. In period 2001-2015, such strategy was consolidated under the institutional trade policy framework built in the 1990s, led by the minister of the Ministry of Economy and Finance (MEF) and accompanied by major interest groups associated to new economic groups, large firms and firms' guild. In the period of analysis, the average of the most favored nation tariff (MFN) decreased from 13,5% in 2000 to 2,2% in 2015 (and also up to 2017) whereas the share of tariff lines with non-tariff barriers (NTB) increased from 8,5% in 2000 to a third of the total import tariff lines in 2016.

This paper analyses the political economy factors that may have affected the evolution of trade barriers in the unilateral liberalization period of 2001-2015. The political economy analysis does suggest that despite of the power of the ministers of the MEF, political actors associated to large firms and enterprises' guild and other external factors had a role on shaping the trends of tariffs and non-tariffs barriers.

The paper contains four sections. Section 1 describes the stylized facts on trade barriers. Section 2 develops the main hypothesis of the paper. Section 3 uses an 'ad-hoc' political economy model to estimate the role of domestic and export firms' interests, labor factors, and entry barriers on the formation of trade barriers in period 2001-2015. Section 4 offers a summary of the main results. A list of references and annex of tables complement the paper and are presented at the end of the paper.

### **1. Stylized Facts: Trade Barriers in Peru 2000-2015**

Tables from 1.1 to 1.4 show the evolution and the structure of trade barriers of Peru in period 2000-2016. Tables 1.1 and 1.3 show the MFN tariffs and non-tariff barriers (NTB)<sup>2</sup> imposed to imports from the rest of the world and Tables 1.2 and 1.4 those imposed to imports from the United States, USA. In these latter tables, it is shown the preferential tariffs and NTB which prevailed since 2009 according to the PTA between Peru and the United States. The figures in all these tables indicate that:

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<sup>2</sup> Which include sanitary and phytosanitary measures (SPS, group A); technical barriers (TBT, group B), non-automatic licensing, quotas, prohibitions and quantity control measures other than for SPS or TBT reasons (group E); rest of NTB (group R).

i) Peruvian tariffs have been structured in a staggered way, higher for consumer goods, lower for capital goods and in the middle for inputs or intermediate goods. Although this pattern has been maintained in period 2000-2016, the tariff gap rate between these goods has decreased. That is, tariffs dispersion has been reduced for imports from the World and from the United States;

ii) In terms of tariff lines and in value, imports of intermediate and consumer goods have had the highest number of these lines whereas capital goods have had the lowest number. Tariff levels, have had the highest value for consumer goods, followed by intermediate goods and then for capital goods;

iii) Peruvian most favored nation (MFN) tariffs have had a decreasing trend. Since 2016, Peru has the lowest simple average tariffs of 2,2% in the last 60 years from imports of the world and 0,2% from imports of the United States;

iv) Although in all period 2000-2016, the sets of tariff lines associated to a determined tariff level have consistently decreased, there have been years (i.e., 2001, 2005, 2006 and 2008 for consumer goods) wherein small set of tariff lines have not followed this pattern. In such years, that small set of tariff lines has either increased or decreased their tariff rates levels in both for World and for United States imports<sup>3</sup>;

v) Contrary to the case of tariffs, NTB have been increasing from both the World and the United States imports. Thus, in 2000, 8,5% and 7,3% of the tariff lines from imports of the World and the United States had respectively NTB, in 2015 these percentages increased to 34,1% and 27%. In addition, the number of NTB per tariff line has increased from both imports (World and the USA).

vi) More than a half of the tariff lines with NTB are imposed to intermediate goods followed for consumer goods which covers more than a third of NTB in both imports (World and the USA).

These stylized would suggest a rather different behavior of political economy factors and actors regarding tariffs and non-tariffs barriers regardless the origin of imports (World and the USA). For the latter, it seems the behavior of the factors and/or actor was to 'increase' or to 'protect industries and for the former, with some exceptions, to liberalize tariffs.

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<sup>3</sup> For example, in 2001 Tobacco and Sugar Cane world imports tariff rate increased from 12% to 25%. In 2005, 2006, and 2008, tariff lines associated to diverse industries including tobacco, sugar cane, agriculture and manufactures decreased their tariff rates from imports of the world. In the case of PTA Peru-USA, some consumer goods increased their tariff rates as results of the trade negotiations.

Table 1.1															
MFN Tariff Structure of Peru: 2001-2016															
Type of Good	Tariff Rates	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011-2013	2014-2016	
Consumer	0	0.2	0.2	0.2	0.2	0.2	0.2	0.6	0.8	6.3	6.3	6.6	6.6	6.6	
	4	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.6	14.6	14.6	
	7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.5	15.0	15.0	0.0	0.0	
	11	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4	5.4	
	12	16.3	16.2	16.2	16.2	16.2	16.1	15.8	0.0	0.0	0.0	0.0	0.0	0.0	
	13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4	0.0	
	17	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	9.2	5.4	5.4	0.0	0.0	
	20	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	0.2	0.0	0.0	0.0	0.0	
	25	3.3	4.4	4.5	4.5	4.5	4.5	4.5	4.5	0.0	0.0	0.0	0.0	0.0	
	30	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	% T. lines	26.4	26.4	26.4	26.4	26.4	26.4	26.4	26.0	25.8	23.3	23.3	20.0	20.0	20.0
	S <sub>CG</sub>	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6
Aveg. <i>t</i>	16.0	15.8	15.8	15.8	15.8	15.8	15.8	15.6	11.6	8.5	8.5	5.9	5.5	5.5	
N° t-lines	2079	2079	2079	2079	2079	2079	2079	2079	2079	2079	2079	2079	2079	2079	
Intermediate or Inputs	0	0.0	0.0	0.0	0.0	1.6	2.0	25.3	29.5	29.5	29.7	30.9	31.0	45.4	
	4	0.0	20.1	20.1	20.9	20.5	22.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.3	19.1	6.2	
	7	0.0	0.0	0.7	0.9	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.6	20.6	20.5	0.0	0.0	
	11	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8	3.3	
	12	49.5	29.4	28.6	27.8	26.9	25.6	24.5	0.0	0.0	0.0	0.0	0.0	0.0	
	13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8	0.0	
	17	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	4.8	4.8	4.8	0.0	0.0	
	20	4.6	4.6	4.5	4.5	4.5	4.5	4.5	4.5	0.0	0.0	0.0	0.0	0.0	
	25	0.5	0.6	0.6	0.6	0.6	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	



Table 1.1 MFN Tariff Structure of Peru: 2001-2016														
Type of Good	Tariff Rates	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011-2013	2014-2016
	30	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	% T. lines	54.9	54.9	54.9	54.9	53.3	52.9	29.6	29.4	29.4	29.2	24.0	23.9	9.5
	S <sub>INTG</sub>	54.9	54.9	54.9	54.9	54.9	54.9	54.9	54.9	54.9	54.9	54.9	54.9	54.9
	Aveg. <i>t</i>	12.8	9.9	9.8	9.7	9.4	9.1	7.2	4.9	4.9	4.8	3.2	3.0	1.3
	N° t-lines	4285	4285	4285	4285	4285	4285	4285	4285	4285	4285	4285	4285	4285
Capital	0	0.0	0.0	0.0	0.0	0.4	0.4	16.8	18.4	18.4	18.4	18.4	18.4	18.4
	4	0.0	0.0	2.5	15.4	15.1	16.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	7	0.0	0.0	13.5	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	12	18.2	18.2	2.4	1.9	1.9	1.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0
	20	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	% T. lines	18.4	18.4	18.4	18.4	18.0	18.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0
	S <sub>KG</sub>	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4
	Aveg. <i>t</i>	12.1	12.1	7.3	5.0	4.9	4.8	1.1	0.0	0.0	0.0	0.0	0.0	0.0
	N° t-lines	1438	1438	1438	1438	1438	1438	1438	1438	1438	1438	1438	1438	1438
All Goods	% T. lines	99.7	99.7	99.7	99.7	97.7	97.3	57.2	55.2	52.7	52.5	44.0	43.9	9.5
	S <sub>G</sub>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Aveg. <i>t</i>	13.5	11.9	10.9	10.5	10.3	10.1	8.3	5.8	4.9	4.9	3.4	3.1	2.2
	N° t-lines	7802	7802	7802	7802	7802	7802	7802	7802	7802	7802	7802	7802	7802

Source: SUNAT (2018a). Author's work. Tariffs include ad-valorem surcharges. T. lines is the share of tariff lines with non-zero tariffs out of total number of tariff lines.

S<sub>CG</sub>: share of consumer goods tariffs lines out of the total tariff lines; S<sub>INTG</sub>: share of intermediate goods tariffs lines out of the total tariff lines; S<sub>KG</sub>: share of capital goods tariffs lines out of the total tariff lines; S<sub>G</sub>= S<sub>CG</sub>+S<sub>INTG</sub>+S<sub>KG</sub>.

Table 1.2 Preferential Tariffs of Peru-USA 2000-2016																		
Type of good	Tariff rate	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16
Consumer	0	0.0	0.0	0.0	0.0	0.1	0.1	1.4	1.7	5.4	18.6	18.6	18.7	18.7	21.7	21.7	21.8	21.9
	1-5	0.0	0.3	0.3	0.8	0.8	1.0	0.0	0.0	0.0	0.0	0.0	1.7	2.9	0.2	2.0	1.9	2.3
	5-10	0.0	0.0	0.6	0.1	0.1	0.0	0.0	13.4	13.3	1.8	3.7	3.2	2.0	2.2	0.6	0.5	0.1
	10-15	14.1	13.8	13.2	13.1	13.2	13.1	12.8	0.0	0.0	2.0	1.5	0.4	0.6	0.2	0.2	0.2	0.1
	15-20	6.1	6.1	6.1	6.1	6.1	6.1	6.1	9.4	5.9	1.6	0.4	0.4	0.2	0.1	0.0	0.0	0.0
	20-30	4.3	4.3	4.4	4.4	4.2	4.2	4.2	0.0	0.0	0.6	0.3	0.2	0.1	0.1	0.1	0.1	0.1
	>30	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	% T. lines	24.6	24.6	24.6	24.6	24.5	24.5	23.2	22.8	19.2	6.0	5.9	5.9	5.9	2.9	2.9	2.7	2.7
	S <sub>CG</sub>	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6
	Aveg. <i>t</i>	16.5	16.1	16.0	16.0	15.8	15.8	15.5	11.5	8.9	3.4	2.8	2.1	1.6	1.0	0.8	0.6	0.5
N° t-lines	1724	1724	1724	1724	1724	1724	1724	1724	1724	1724	1724	1724	1724	1724	1724	1724	1724	
Inputs	0	0.0	0.0	0.0	0.0	1.5	1.7	27.2	31.2	31.3	49.3	49.3	49.4	49.4	53.5	53.5	53.7	53.7
	1-5	0.0	21.4	21.4	22.4	22.1	24.2	0.0	0.0	0.0	0.0	0.1	3.8	4.1	0.3	3.7	3.5	3.5
	5-10	0.0	0.0	1.1	0.9	0.8	0.0	0.0	20.8	20.8	3.9	7.5	4.0	3.7	3.5	0.1	0.1	0.0
	10-15	51.4	30.1	28.9	28.1	27.1	25.7	24.4	0.0	0.0	3.7	0.3	0.1	0.1	0.0	0.0	0.0	0.0
	15-20	5.5	5.4	5.4	5.4	5.4	5.3	5.3	5.4	5.3	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
	20-30	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	>30	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	% T. lines	57.3	57.3	57.3	57.3	55.8	55.6	30.2	26.2	26.1	8.0	8.0	8.0	8.0	3.8	3.8	3.6	3.6
	S <sub>INTG</sub>	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3
	Aveg. <i>t</i>	12.9	9.9	9.8	9.6	9.4	9.1	7.1	4.9	4.8	1.5	1.2	1.0	0.7	0.4	0.3	0.2	0.2
N° t-lines	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	4024.0	
Capital	0	0.0	0.0	0.0	0.0	0.3	0.3	15.7	17.2	17.2	17.8	17.8	17.8	17.8	18.0	18.0	18.0	18.0
	1-5	0.0	0.1	2.5	14.3	14.0	14.9	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.1
	5-10	0.0	0.0	12.3	0.9	0.9	0.0	0.0	0.8	0.8	0.1	0.2	0.1	0.1	0.1	0.0	0.0	0.0
	10-15	17.7	17.7	3.2	2.8	2.8	2.8	2.3	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	15-20	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	% T. lines	18.1	18.1	18.1	18.1	17.8	17.8	2.4	0.9	0.9	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.1
	S <sub>KG</sub>	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1
	Aveg. <i>t</i>	12.2	12.1	7.6	5.5	5.4	5.3	1.7	0.5	0.5	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
	N° t-lines	1270	1270	1270	1270	1270	1270	1270	1270	1270	1270	1270	1270	1270	1270	1270	1270	1270
All Goods	% T. lines	100	100	100	100	98.1	97.9	55.8	49.9	46.1	14.3	14.2	14.1	14.1	6.9	6.9	6.5	6.4

Type of good	Tariff rate	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16
	Suma	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	Aveg. <i>t</i>	13.6	11.8	10.9	10.4	10.2	10.1	8.2	5.7	5.1	1.7	1.4	1.1	0.8	0.5	0.4	0.3	0.2
	N° t-lines	7018	7018	7018	7018	7018	7018	7018	7018	7018	7018	7018	7018	7018	7018	7018	7018	7018

**Source:** SUNAT (2018a). Author's work. Tariffs include ad-valorem surcharges. T. lines is the share of tariff lines with non-zero tariffs out of total number of tariff lines.

$S_{CG}$ : share of consumer goods tariffs lines out of the total tariff lines;  $S_{INTG}$ : share of intermediate goods tariffs lines out of the total tariff lines;  $S_{KG}$ : share of capital goods tariffs lines out of the total tariff lines;  $S_G = S_{CG} + S_{INTG} + S_{KG}$ .

Table 1.3 Non-Tariff Barriers of Peru 2000-2015																	
Type of Good	N <sub>NTB</sub>	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15
Consumer	0	15,2	15,2	15,5	14,3	13,6	9,4	9,4	10,6	10,0	9,2	9,3	9,3	8,5	8,5	8,4	8,5
	1-5	4,0	3,9	4,2	4,1	4,7	8,8	6,9	7,5	7,1	7,8	7,8	7,8	7,9	7,9	7,9	7,9
	6-10	0,6	0,7	0,7	2,1	2,3	2,1	3,9	3,7	2,6	2,5	2,6	2,7	1,4	1,4	1,4	1,4
	11-14	0,0	0,0	0,0	0,0	0,0	0,1	0,3	0,7	2,8	2,5	2,6	2,5	4,1	4,1	4,1	4,0
	>15	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,4	0,4	0,4	0,4	0,4	0,7	0,7
	na	5,7	5,8	5,1	5,0	5,0	5,1	5,0	3,1	3,1	3,2	3,0	3,0	3,1	3,3	3,1	3,2
	S <sub>TL</sub> (%)	4,7	4,6	4,9	6,2	7,0	11,0	11,2	12,0	12,5	13,1	13,3	13,3	13,9	13,8	14,1	14,0
	ST <sub>TL</sub> (%)	25,6	25,6	25,6	25,6	25,6	25,6	25,6	25,6	25,6	25,6	25,6	25,6	25,6	25,6	25,6	25,6
	NTB <sub>TL</sub>	4,1	4,1	4,1	5,1	4,7	3,3	4,0	4,1	5,4	5,3	5,4	5,4	6,0	6,0	6,2	6,3
Inputs	0	37,6	37,7	40,3	38,0	38,6	38,4	37,7	42,6	32,9	32,5	32,8	32,6	31,3	30,9	31,0	31,2
	1-5	3,4	3,8	4,3	4,1	4,5	4,4	4,3	5,3	13,4	13,3	13,5	13,6	13,4	13,6	13,6	13,2
	6-10	0,0	0,0	0,0	2,0	2,1	1,9	1,9	2,4	1,9	2,0	2,1	2,0	2,1	2,2	2,3	2,1
	11-14	0,0	0,0	0,0	0,1	0,1	0,2	0,5	0,5	2,2	2,1	2,2	2,1	2,2	2,2	2,3	2,4
	>15	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,2	0,2	0,3
	na	15,6	15,1	11,9	12,5	11,4	11,8	12,3	5,8	6,1	6,7	5,9	6,3	7,5	7,6	7,3	7,4
	S <sub>TL</sub> (%)	3,4	3,9	4,4	6,1	6,6	6,4	6,7	8,2	17,6	17,5	17,9	17,7	17,8	18,2	18,3	18,0
	ST <sub>TL</sub> (%)	56,6	56,6	56,6	56,6	56,6	56,6	56,6	56,6	56,6	56,6	56,6	56,6	56,6	56,6	56,6	56,6
	NTB <sub>TL</sub>	2,5	2,7	2,7	4,8	4,7	4,6	4,9	4,9	4,8	4,9	4,9	4,8	5,0	5,0	5,1	5,2
Capital	0	13,9	13,8	14,2	13,7	13,6	13,5	13,7	15,1	15,2	14,8	14,7	14,7	14,5	14,5	14,5	14,5
	1-5	0,5	0,6	0,8	1,2	1,2	1,2	1,3	1,6	1,6	2,2	2,1	2,2	2,4	2,4	2,3	2,3
	6-10	0,0	0,0	0,0	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
	11-14	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
	>15	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
	na	3,4	3,4	2,8	2,8	2,9	2,9	2,7	0,9	0,8	0,7	0,8	0,7	0,7	0,7	0,9	0,9
	S <sub>TL</sub> (%)	0,5	0,6	0,8	1,3	1,3	1,3	1,4	1,7	1,7	2,3	2,3	2,3	2,5	2,5	2,4	2,5
	ST <sub>TL</sub> (%)	17,8	17,8	17,8	17,8	17,8	17,8	17,8	17,8	17,8	17,8	17,8	17,8	17,8	17,8	17,8	17,8
	NTB <sub>TL</sub>	1,7	2,8	2,3	2,3	2,5	2,4	2,4	2,3	2,3	2,4	2,4	2,3	2,2	2,2	2,2	2,2
All Goods	S <sub>TL</sub> (%)	8,5	9,0	10,1	13,6	14,9	18,7	19,2	21,9	31,8	32,9	33,5	33,4	34,2	34,5	34,9	34,4

Type of Good	N <sub>NTB</sub>	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15
	N <sub>TL</sub>	366	386	434	584	638	803	823	940	1362	1408	1434	1429	1466	1477	1494	1473
	N <sub>TLNTB</sub>	1211	1320	1458	2748	2860	2960	3450	3997	6722	6876	7054	6934	7670	7697	8006	7975
	S <sub>TL</sub> (%)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	N	4283	4283	4283	4283	4283	4283	4283	4283	4283	4283	4283	4283	4283	4283	4283	4283
	NTB <sub>TL</sub>	3,3	3,4	3,4	4,7	4,5	3,7	4,2	4,3	4,9	4,9	4,9	4,9	5,2	5,2	5,4	5,4

**Source:** UNCTAD (2018). Author's own elaboration. N<sub>TL</sub>= number of tariff lines with NTM, N<sub>NTB</sub>= number of NTM, S<sub>TL</sub>= the share of tariff lines with NTB out of total number of tariff lines, S<sub>TL</sub>=the share of tariff lines of each type of goods out of total of tariff lines, N= total number of tariff lines; N<sub>TLNTB</sub>= number of total NTB for all tariff lines with NTB, NTB<sub>TL</sub>= number of NTM per tariff line and na= the share of tariff lines which were not available out of total number of tariff lines.

**Table 1.4**  
**Non-Tariff Barriers of Peru-USA 2000-2015**

Type of goods	NTB	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Consumer	0	14.5	13.8	14.5	12.9	11.9	8.7	8.4	9.7	9.4	8.6	8.6	8.7	8.3	8.0	7.9	8.0
	1-5	4.0	3.8	4.1	4.1	5.0	8.0	7.8	8.3	8.6	9.5	9.4	9.6	9.6	9.8	10.1	9.7
	6-10	0.0	0.0	0.0	0.3	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.3	0.1	0.2	0.2
	11-14	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.3	0.3	0.2	0.6	0.5	0.4	0.5
	>15	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
	Na	7.0	8.0	6.9	8.2	8.5	8.6	9.0	7.2	6.8	6.7	6.8	6.4	6.7	7.1	6.9	7.0
	S <sub>TL</sub> (%)	4.0	3.8	4.1	4.4	5.1	8.2	8.0	8.6	9.3	10.2	10.2	10.3	10.6	10.4	10.8	10.5
	ST <sub>TL</sub> (%)	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.6	25.5	25.5
	NTB <sub>TL</sub>	1.3	1.3	1.2	1.8	1.3	1.3	1.4	1.6	1.7	1.7	1.7	1.6	1.9	1.7	1.8	1.9
Inputs	0	31.8	31.5	33.7	31.1	31.9	31.3	31.0	35.1	27.3	25.9	26.9	27.1	24.6	24.8	24.0	24.0
	1-5	2.8	3.0	3.4	4.2	4.6	4.4	0.3	5.3	13.0	13.0	13.6	13.7	14.2	14.1	14.1	13.5
	6-10	0.0	0.0	0.0	0.4	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.2
	11-14	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.1	0.3	0.1	0.3	0.2
	>15	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
	Na	20.9	21.0	18.4	19.7	18.7	19.5	19.8	14.8	14.8	16.2	14.7	14.4	16.2	16.2	17.0	17.5
	S <sub>TL</sub> (%)	2.8	3.0	3.4	4.6	4.9	4.6	0.6	5.5	13.3	13.4	13.9	14.0	14.7	14.4	14.5	14.0
	ST <sub>TL</sub> (%)	55.5	55.5	55.5	55.5	55.5	55.5	51.5	55.5	55.5	55.5	55.5	55.5	55.5	55.5	55.5	55.5
	NTB <sub>TL</sub>	1.2	1.3	1.2	1.9	1.6	1.5	1.7	1.8	1.5	1.5	1.5	1.4	1.6	1.5	1.5	1.5
Capital	0	14.0	13.7	13.9	13.3	13.6	13.8	13.6	15.3	15.2	14.5	14.8	14.7	14.6	14.4	14.1	14.2
	1-5	0.5	0.6	0.8	1.1	1.3	1.3	4.2	1.7	1.7	2.3	2.2	2.3	2.5	2.4	2.4	2.5
	6-10	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	11-14	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	>15	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Na	4.5	4.8	4.3	4.6	4.1	4.0	4.2	2.1	2.1	2.2	2.0	2.1	1.9	2.2	2.5	2.4
	S <sub>TL</sub> (%)	0.5	0.6	0.8	1.1	1.3	1.3	4.2	1.7	1.7	2.3	2.2	2.3	2.5	2.4	2.4	2.5
	ST <sub>TL</sub> (%)	19.0	19.0	19.0	19.0	19.0	19.0	21.9	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
	NTB <sub>TL</sub>	1.0	1.2	1.2	1.1	1.3	1.2	1.1	1.1	1.2	1.1	1.1	1.1	1.1	1.1	1.0	1.0
All Goods	S <sub>TL</sub> (%)	7.3	7.3	8.4	10.2	11.3	14.1	12.8	15.8	24.3	25.9	26.3	26.6	27.8	27.3	27.7	27.0
	N <sub>TL</sub>	296	297	339	413	457	572	521	641	988	1052	1068	1080	1127	1109	1124	1094
	N <sub>TLNTB</sub>	369	380	413	729	668	780	818	1024	1527	1621	1671	1596	1900	1700	1781	1749
	ST <sub>TL</sub> (%)	100	100	100	100	100	100	99	100	100	100	100	100	100	100	100	100
	N	4058	4058	4058	4058	4058	4058	4058	4058	4058	4058	4058	4058	4058	4058	4058	4058

	NTB <sub>TL</sub>	1.2	1.3	1.2	1.8	1.5	1.4	1.6	1.6	1.5	1.5	1.6	1.5	1.7	1.5	1.6	1.6
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**Source:** UNCTAD (2018). Author's own elaboration.  $N_{TL}$ = number of tariff lines with NTM,  $N_{NTB}$ = number of NTM,  $S_{TL}$ = the share of tariff lines with NTB out of total number of tariff lines,  $ST_{TL}$ =the share of tariff lines of each type of goods out of total of tariff lines,  $N$ = total number of tariff lines;  $N_{TLNTB}$ = number of total NTB for all tariff lines with NTB,  $NTB_{TL}$ = number of NTM per tariff line and  $na$ = the share of tariff lines which were not available out of total number of tariff lines

## 2. A Hypothesis on the Political Economy of Trade Policy in Peru

The change of model of growth started in Peru in the decade of 1990s under Fujimori administration. Thus, from a 'distorted and protectionist economy' in the 1970' and 1980s, it changed to a 'neoliberal' market economy, wherein markets of goods, services and factors follow the rules of flexible capitalist markets and with governments implementing social inclusion programs. Nowadays, the "*liberal model is part of common sense and no presidential candidate discuss the model and/or wish to change it*" (Portocarrero, 2016). According to Duárez (2014), an explanation of the permanence of the model (denominated '*legitimizing perspective*'), points out that the years of economic growth and reduction of poverty achieved in the liberal period (1990-Now) were elusive in the 1970s and 1980s due to populist, socialists and nationalists economic policies<sup>4</sup>. Such measures have today a pejorative connotation associated to demagoguery, ideological and economic irresponsibility.

A second explanation, called the '*critical perspective*', argues that the liberal model redefined the articulations of the *de facto* powers, the military, the large national and transnational firms and the technocracy who gained a predominant position in the government influencing trade policy measures according to their interest group.

A third explanation, analyzed by Duárez (2014) called '*political speech*', points out that the continuity of neoliberal model is linked to a constitution of a discursive structure shared by a diversity of social groups. Thus, the neoliberal ideas have redefined the political subjectivities of the subjects. Specifically, the model of identity of the '*figure of the militant*' of the 1970s and 1980s was replaced by the '*figure of the successful and authentic man*' who only has compromises accepted for him without responsibility for others, only for himself. Such a figure defines a world integrated by individuals competing each other according to their success and individual realization. "*If all individuals assume that success is the end of life and competition is something good, then the neoliberal ideology becomes common sense, it passes as obvious and indisputable and conditions possible interpretations*". (Portocarrero, 2001).

From the political economy of trade policy point of view, six aspects delineated the institutional framework and interest groups on trade policy of Peru in period 2000-2015, first, the initial structural reforms implemented under Fujimori administration (1990-2000). Second, the empowerment of the Ministry of Economy and Finance, MEF. Third, the liberal ideas shared by the ministers at MEF selected by the different administrations (from 2000 to 2018). Fourth, interest groups associated to firms biased towards to commercial opening. Fifth, the dominance of the informal, underemployment and not salaried workers of the labor force; and last, the scarce role of consumers on trade issues.

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<sup>4</sup> Torres (2010) called the Peruvian model of the 1970s and 1980s '*the impoverishment model*' with three features of the model: nationalist, populist and antiliberal.



## 2.1 Liberal Structural Reforms in Fujimori's Administration 1990-2000

*"At the end of 1980, Peruvian economy experienced a generalized crisis with: hyperinflation, terrorism, sanitary crisis, insufficient tax collection, debtors, credit cuts from international institutions, and declared ineligible by the IMF" (Abusada, 2016)*

After a short period of liberalization in 1979-1982, Peru continued following the import substitution industrialization, ISI, model that started the administration of General Juan Velasco Alvarado in 1967. Peru's trade policy was highly protectionist with high tariff and non-tariffs barriers and export subsidies. Thus, the share of tariff lines with NTB (related to import licenses, quotas and quantitative restrictions) increased from 7% in 1980 to 90% in 1988. Prohibition of imports increase from 0% in 1980 to 10% in 1988. The average tariff rate increased from 32,8% in 1980 to 69,5% in 1988. The tariffs dispersion was also high. In 1988, the maximum tariff rate for consumer goods was 110% and the minimum 25,5% for intermediate and capital goods. Non-Traditional export promotion (i.e., Executive Order No 22342 on November 21, 1978) was based upon two main instruments 'el certificado de exportación, CERTEX y el fondo de exportaciones no tradicionales, FENT'. The first provided an export refund of a maximum of 30% of the export value and in FENT reached a maximum figure of 41,1% of the total non-traditional export value in 1984. The Andean Community was the only relevant agreement signed by Bolivia, Colombia, Chile, Ecuador and Peru (on May 26 of 1969). On February 1973 Venezuela joined the agreement and Chile exited by October of 1973. On August 25, 1992 (by Decision 321<sup>5</sup>) Peru exited temporally from the Andean Community until 1997 (by Decision 424<sup>6</sup>) date of its full reincorporation to the Andean free trade area which started in 1992<sup>7</sup>.

Trade and other distortions (in foreign exchange markets, interest rates, prices control, etc.) and macroeconomic imbalance led to hyperinflation and recession by the end of 1989 as the macro figures of Table 2.1 show. The Peruvian crisis of the last decade of the ISI era, the 1980s, led to a new liberal market model of growth in 1990 under Fujimori administration. The '*new liberal model*' was 'accidentally decided' in a 1990 meeting with his leading promoter of the model, Dr. Carlos Boloña.

*"The engineer Fujimori won the 90's election without governmental team and plan announcing only the rejection to the FREDEMO economic program. Although such a rejection was effective to win the election, it was not enough to govern a country....When Rodriguez-Pastor<sup>8</sup> contacted me for a meeting, I was surprised that the candidate that won the elections preaching 'no' to the economic shock wanted now to assemble a*

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<sup>5</sup> Gaceta Oficial del Acuerdo de Cartagena, Año IX, No 114, Decisión 321, Suspensión Temporal del Perú, August 27, 1992.

<sup>6</sup> Gaceta Oficial del Acuerdo de Cartagena, Año XIII, No 283, Decisión 414, Perfeccionamiento de la Integración Andina, July, 31, 1997.

<sup>7</sup> Gaceta Oficial del Acuerdo de Cartagena, Año IX, Decisión 324, Arancel Externo Común, Programa de Liberación e Incentivos a las Exportaciones Intra-subregionales, August 25, 1992.

<sup>8</sup> Belonging to a NEG.

*team with orthodox orientation...I went on time to a meeting in a New York Hotel wherein Rodriguez-Pastor, Fujimori, Felipe Morris, Hernando de Soto and Adolfo Figueroa were all seated to discuss the economic plan to eliminate the hyperinflation in Peru and I presented my ideas on such plan....whereas the other idea of the plan was gradualism I said **decidedly that in Peru we have to start with our statistics from zero because what will be emerging from the plan is a 'new country'**. Besides, your program is like taking a blood pressure to a sick person when a tumor removal is needed to save its live. The country is a patient that we need to operate now otherwise it would be dead..... Well, said the President, I have listened you for two hours, although I am not an economist, I have a lot of intuition and it is not for nothing that I won the elections. I do not believe your plan Adolfo, it seems that what Dr. Boloña said it can work. (pp. 23-24, Boloña, 1993).*

Liberal market economy reforms were initiated by President Fujimori on July 1990. Because of the new constitution elaborated in 1993, the Fujimori government last about 10 years. The reforms included a: drastic stabilization program<sup>9</sup>, trade policy reform<sup>10</sup>, tax reform, financial, privatization and investment promotion reforms, capital market reforms, and labor market policies.

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<sup>9</sup> This 'shock program' included: elimination of macroeconomic imbalances, money supply control, unification and stabilization of the foreign exchange rates, and the correction and stabilization of prices of public utilities.

<sup>10</sup> The main instruments were in the first place, unilateral reduction of tariffs. By July of 1990, there were 39 tariff rates with a simple average of 46,5% by the end 1990, tariff rates were reduced to three rates of 10%, 25% and 50% for capital, intermediate and consumer goods and the simple average tariff rate fell to 26,3%. These changes did not have opposition from firms and labor unions. By December of 1993 there were only two tariff rates 25% (consumer goods) and 15% (capital and intermediate goods) with an average tariff rate of 16,3. . Second, by December of 1990, all import prohibitions and restrictions were eliminated. Third, regarding exports the CERTEX was eliminated in 1990 and replaced by drawbacks (of 5%) in 1995. Lastly, by the Legislative Resolution No 26407 (on December 16, 1994), national legislation introduced the 1994 agreements of the WTO.

**Table 2.1**  
**Macroeconomic Indicators or Peru 1980-2017**

Variables	80-84	85-89	90-94	95-1999	2000-04	2005-10	2011-15	2016-2017
Y	2966,9	2797,3	2270,1	2684,5	2831,9	3661,8	4705,8	5092,2
gy	-1,54	-2,31	0,87	1,81	2,13	5,58	3,62	2,79
gY	0,89	-0,11	2,85	3,56	3,58	6,50	4,79	3,27
SX	17,7	15,8	18,1	21,3	27,5	30,2	26,2	27,0
gX	0,82	-0,13	4,19	8,15	8,75	5,09	2,92	8,33
SX <sub>T</sub>	77,4	72,5	70,0	69,1	69,5	76,4	73,0	72,2
SX <sub>NT</sub>	21,3	26,4	28,8	29,7	29,1	23,0	26,5	27,5
SM	15,04	10,91	15,11	20,39	18,56	23,02	26,94	24,82
gM	-6,83	3,77	16,66	0,66	5,96	13,23	2,74	4,04
SM <sub>CG</sub>	13,0	11,0	20,5	22,8	21,9	17,8	20,9	24,3
SM <sub>INTG</sub>	38,4	48,2	43,7	41,6	51,3	51,6	46,2	44,8
SM <sub>KG</sub>	36,0	28,8	28,2	31,4	25,7	29,9	32,0	30,3
SY <sub>G</sub>	38,7	37,2	36,2	35,1	37,9	37,1	32,8	32,0
gY <sub>G</sub>	-0,89	-0,98	2,18	3,77	4,91	5,12	2,70	3,83
gTT	-2,90	-4,11	-3,62	-0,01	3,84	7,70	-2,48	3,29
FD	-8,22	-8,89	-4,37	-1,75	-2,27	1,03	0,57	-2,79
gCPI	88,6	966,6	1580,1	7,7	2,2	2,6	3,6	2,3
gRER <sub>BI</sub>	2,66	-1,28	-13,43	3,18	0,37	-3,21	0,91	-0,19
gRER <sub>M</sub>			-1,52	2,42	0,38	-0,75	0,05	-1,28

**Source:** BCRP (2018), INEI (2018c). Author's work. Y= GDP, y=per capita GDP, gZ =rate of growth of variable Z, SX= export share out of GDP, SX<sub>T</sub>= traditional exports share out of total exports, SX<sub>NT</sub>= non-traditional exports share out of total exports, SM= share of imports out of GDP; SM<sub>CG</sub>= share of imported consumers goods out of total imports, SM<sub>INTG</sub>= share of imported intermediate or inputs goods out of total imports, SM<sub>KG</sub> = share of imported capital goods out of total imports, SY<sub>G</sub>= share of GDP of goods out of total GDP, TT= terms of trade, FD= share of fiscal deficit out of GDP, gCPI= rate of inflation (or rate of growth of consumer price index price), gRER<sub>BI</sub>= growth of the US-Peru bilateral real exchange rate, gRER<sub>M</sub>=rate of growth of the multiple real exchange rate.

## 2.2 The empowerment of the Ministry of Economy and Finance, MEF and the Institutional Trade Framework

Regarding trade, five legal devices empowered the role of MEF in the making of trade policy<sup>11</sup>, practically without any check and balance from other governmental entity. In the first place, MEF determines, tariffs levels and its structure, export drawbacks<sup>12</sup>, and safeguards<sup>13</sup>. Second, although the National Institute for the Defense of Free Competition and the Protection of Intellectual Property, INDECOPI (through the Commission of

<sup>11</sup> Executive Order N° 183-06-1981 (June 12, 1981), Legislative Decree N° 25909-11-1992 (December 01, 1992), Legislative Decree N° 25629 (July 21, 1992), DS 020-1998 ITINCI (December 18, 1998) and modification DS N° 017-2004-MINCETUR (August 20 2004).

<sup>12</sup> Drawback was introduced in Executive Order No 722 (New Customs General Law on, November 11, article 159, Section II). On June 23rd, 1995, through Supreme Decree N° 104-95-EF, the Rules of the Simplified Restitution Procedure of Customs Rights were approved. It established a 5% (out of total FOB value) restitution rate to the export tariff lines that are applicable to drawback benefits. The requirement is that export fob value for each tariff line fall within a range of higher or equal to US\$ 10,000 and lower or equal to 10 million dollars. This upper bound was modified to 20 million dollars through Supreme Decree N° 093-96-EF, enacted on September 25th, 1996. Since then several times the drawback rates was modified. The last changed has been in October of 2016 which will remain to 4% until 2019 and thereafter will be 3%.

<sup>13</sup> In the case of safeguards applications also intervene the Ministry of External Trade and Tourism, MINCETUR, and a productive ministry such as Ministry of Production, PRODUCE and Ministry of Agriculture and Irrigation, MINAGRI.

Dumping, Subsidies, Countervailing Duties and the Elimination of non-tariffs barriers, NTB) is in charge of defense measures, the elimination of NTB needs to be validated also by the MEF<sup>14</sup>. Third, according to Legislative Decree N° 25909-11-1992, the only governmental entity to dictate measures intended to restrict or prevent the free flow of goods and services through requirements, formalities of any measure that affect imports and exports is the MEF. Other NTB such as sanitary and phytosanitary measures were determined by National Service of Agrarian Health (SENASA)<sup>15</sup> and environmental, health and food safety, technical obstacles and customs procedures were determined for several governmental institutions (e.g., National Quality Institute, INACAL, PRODUCE, MINAGRI, General Directorate of Environmental Health and Food Safety, DIGESA, and MEF). Fourth, although MINCETUR<sup>16</sup> is in charge of the preferential trade agreements (PTA) official representatives of the MEF and the Ministry of External Relations (RREE) also participate in trade negotiations. The intervention and approval of the Congress is necessary only for extended PTA (such as the Peru-USA, PTA in force since 2009 and the Peru-European Union PTA in force since 2013).

### **2.3 The liberal features shared by the ministers at MEF from 1990-2018.**

Under the *'critical perspective'*, the dominance the new 'actors' (large national and transnational firms and technocracy) on the making of economic and trade policy emerged, among other things, due to the authoritative character of the Fujimori administration, the social fragmentation, atomization of political forces against the liberal policies, the absence of leaders and political parties able to represent these antiliberal policies organically, and the replacement of politicians by neoliberal technocrats in making binding decisions (Durand 2010).

On this last point, from 1990 to 2018, the empowered MEF was led by suitable technocrats who share five common liberal features.<sup>17</sup> First, all of them have strong convictions on trade liberalization using tariffs reductions and PTA as the main instruments of trade policy. These convictions are based upon ideology (e.g., Boloña), technical theory (e.g., Aráoz), and pragmatism (e.g., Benavides). Second, they also have strong convictions on macroeconomic prudence and fiscal balance. Third, most of them have had experience in the private sector working in large firms including economic groups, EG. Fourth, most of them had experience with international organizations including the World Bank, IADB and IMF. Fifth, although to different degree, they believed that a 'social market economy' is an ideal economic model that guarantee economic growth and social inclusion. These features implied, among other things, that MEF's ministers reduced trade barriers aggressively (including export drawbacks<sup>18</sup>) and

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<sup>14</sup> Article 4 of Executive Order N° 25629-21-07-1992, says: *"the provisions by which establish requirements or formalities or affect somehow the free internal commercialization or the exports and/or imports of goods and services should be approved only by Supreme Decree validated by MEF and by the sector involved"*.

<sup>15</sup> According to Law No N° 27322 (July 22, 2000) and Legislative Decree No 1059 (June 27 2008), these measures were not considered as NTB as in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement).

<sup>16</sup> By Executive Order N° 27790-07-2002.

<sup>17</sup> Details in Table A2.

<sup>18</sup> *"In 2013, the drawback scheme gave exporters \$240 million in tax credits or cash, in 2014 \$306 million*

promoted multiple preferential trade agreements.<sup>19</sup>

## 2.4 The New Economic Groups and Large Firms.

According to Durand (2010), the continuity of neoliberalism depended upon the degree of acceptance or consensus of its general principles among the main political leaders, public opinion and between the forces that hold it in and out of the State. Among the latter, large enterprises, and old and new economic groups, since 1990s constituted a new economic power structure from which they carried out their political management.

The Economic groups in Peruvian economy have been studied throughout the last 60 years. Example of this literature are the works of Malpica (1964, 1992); Alcorta (1987); Anaya (1990), Vásquez (2005); and Durand (2004, 2017). These groups have changed from the dominance of multinational enterprises, MNE, oligarchy land owners, and national enterprises in the 1960s to the dominance of MNE and economic groups from Peru and Latin American Countries (Durand, 2004) in the present century. Durand (2017) points out that the 'new economic groups', NEG,<sup>20</sup> are a conglomerated and diversified group of firms<sup>21</sup> that create and buy firms acquiring market power. They are highly competitive at local, continental and world level. They use their enormous resources to influence politics, establish favorable relationships with political parties and congressional representatives, and to maintain a narrow and productive relationship with the government. The main mechanisms of the relationship between NEG and Government are the financing of political campaigns, lobbies, revolving doors<sup>22</sup>, interpersonal contacts, and bribery.<sup>23</sup>

Table 2.2 shows some concentration indicators of the NEG in period 2003-2015. The figures indicate that NEG have interest on mining exports, ( $X_M$ ), non-traditional exports

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*and \$237 million in 2015. Program costs estimates are around \$60 million per year in transfers exceeding import duties collected. The degree of the subsidy was illustrated in 2014 by the backlash from exporters when finance minister Alonso Segura tried to eliminate tariffs on almost 2,000 products. Firms who paid those tariffs for inputs would not qualify for the drawback benefit. Segura ultimately eliminated tariffs on just over 1,000 products but reduced the drawback rate from 5% to 4% in 2015 and 3% in 2016. Segura's minister has called the drawback scheme "imperfect" and "a blind subsidy," and he suggested that it could expose Peru to lawsuits from trade partners and in the World Trade Organization." (Peru Reports, October 14, 2016. Available at: <https://perureports.com/2016/10/14/peru-reluctantly-boosts-drawback-subsidy-exporters/>).*

<sup>19</sup> Since 2004 about 14 PTA have been signed having preferences for more than 80% of the export value of Peru.

<sup>20</sup> These are: Romero, Brescia, Benavides, Ferreyros, Rodríguez-Pastor, and Graña y Montero from Lima. Rodríguez, Añaños, Huancaruna, Acuña, Dyer and Flores from other regions of Peru.

<sup>21</sup> NEG participate in the following sectors: mining, manufactures, banking, financial and education services (i.e., universities).

<sup>22</sup> The mobility of high rank personal between private and public sectors.

<sup>23</sup> Unfortunately, today Peruvian economy is experienced corruption at the high levels of government. The mechanism of corruption has been identified through audios of telephones or cells conversations and private meetings -sometimes including the media. (See:

<https://elcomercio.pe/politica/difunden-dos-nuevos-audios-cesar-hinostroza-pedro-chavarry-noticia-541768>)

( $X_{NT}$ )<sup>24</sup>, and domestic products<sup>25</sup>. These sectors and products implies that mining NEG would be interested in reducing barriers to investment and promote mining concessions. Non-traditional exporters' NEG would be interested in reducing trade barriers on inputs and capital goods, and if possible, export subsidies. Domestic producers NEG would be interest to impose barriers on final consumer goods and to eliminate trade barriers to inputs and capital goods. Second, the high degree of concentration in the goods ( $S_G$ ) and goods and services markets ( $S_{GS}$ ) may be associated to domestic market power (in differentiated products) wherein trade barriers may reinforce its power restricting foreign competition. Third, the enormous resources generated by the NEG not only could grant them political power but also may generate government fiscal dependency on the economic performance of these groups.

Aside from the political and economic role of NEG, **other domestic firms** may also have political power since their markets are relatively concentrated. Table 2.3 shows the figures of concentration ratios of the main firms in Peru. Similar to NEG, firms share of the value added, exports and imports are high. It should be noted that the total universe of formal firms of Peru is more than a million, most of them of small and medium size (i.e., less than 100 workers<sup>26</sup>). Additionally, income tax revenues of these firms are also very high. Thus, in period 2003-2015 about half of income tax revenues of Peru was contributed by the biggest 280 firms.

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<sup>24</sup> Particularly dairy products, manufacture of grain mill products and manufacture of wearing apparel, except fur apparel; and fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing.

<sup>25</sup> Such as manufacture of other food products; building of complete constructions or parts thereof, and civil engineering; manufacture of soft drinks; production of mineral waters; wholesale of machinery, equipment and supplies; and storage and warehousing.

<sup>26</sup> Details in Tello (2011).

**Table 2.2**  
**Concentration Indicators of NGE<sup>27</sup> 2003-2015 (US\$ Millions)**

NGE	2003			2013			2015		
	INC	X	M	INC	X	M	INC	X	M
Romero	1520,6	127,2	272,6	1292,8	150,7	458,7	1225,9	103,2	372,1
Brescia (X <sub>M</sub> )	414,7	196,4	34,9	1271,4	426,5	121,2	1065,3	662,7	114,7
Benavides (X <sub>M</sub> )	1977,6	1670,4	75,6	2789,5	2636,7	114,0	2507,9	2084,8	226,3
Graña y Montero	37,4	0,0	0,3	67,9	0,0	3,9	64,5	0,0	2,9
Ferreyros	10,3	1,8	1,5	0,0	0,0	0,0	0,0	0,0	0,0
Rodriguez-Pastor	na	na	na	105,9	39,7	42,4	108,8	52,2	42,8
Dyer (X <sub>NT</sub> )	84,5	65,5	1,3	221,8	131,7	20,8	199,6	149,6	20,3
Rodriguez	510,7	21,0	82,2	1569,1	150,7	297,7	1687,2	176,1	326,2
Huancaruna (X <sub>NT</sub> )	64,0	50,4	0,4	180,5	119,1	8,3	168,2	143,0	9,4
Flores (X <sub>NT</sub> )	94,0	69,7	6,3	73,5	49,4	0,7	58,9	39,0	0,6
Añaños	63,0	1,7	5,1	176,8	2,4	61,2	170,5	0,8	60,7
<b>Total</b>	<b>4776,8</b>	<b>2204,1</b>	<b>480,2</b>	<b>7749,3</b>	<b>3706,8</b>	<b>1128,9</b>	<b>7256,9</b>	<b>3411,5</b>	<b>1175,9</b>
S <sub>INC</sub> (%)	100,0	46,1	21,8	100,0	47,8	30,5	100,0	47,0	34,5
S <sub>G</sub> (%)	9,4	18,4	4,3	7,8	12,0	3,6	7,8	12,5	3,8
S <sub>GS</sub> (%)	7,2	14,8	5,1	7,7	10,3	5,1	7,7	10,4	4,7

**Source:** Peru Top (2018), INEI (2018c), INEI (2007), BCRP (2018). Author's work. S<sub>INC</sub> the share of exports and import of goods out of total income of the NEG; S<sub>G</sub> share of value added generated by NEG income out of GDP of goods; in the case of X and M the share of NEG's exports and imports of goods out of the total exports and imports of goods. S<sub>GS</sub> similar to S<sub>G</sub> but including services (sector, export and imports' services). na not available.

**Table 2.3**  
**Concentration Indicators of Peruvian Firms 2003-2015**

Cl <sub>N</sub>	2003				2013				2014				2015			
	N	S <sub>G</sub>	S <sub>X</sub>	S <sub>M</sub>	S <sub>R</sub> 1/	S <sub>INC</sub>	S <sub>X</sub>	S <sub>M</sub>	S <sub>R</sub> 2/	S <sub>INC</sub>	S <sub>X</sub>	S <sub>M</sub>	S <sub>R</sub>	S <sub>INC</sub>	S <sub>X</sub>	S <sub>M</sub>
10	24,4	24,1	12,2	na	21,3	19,7	13,1	na.	18,5	18,7	13,2	na	16,9	18,3	8,9	Na
20	31,2	32,0	15,3	na	28,8	28,9	16,5	Na	25,0	26,5	16,2	na	24,6	26,2	11,9	Na
50	40,5	44,2	20,8	33,6	39,2	44,3	22,6	29,8	34,1	39,7	21,4	29,2	35,1	39,3	17,4	24,6
100	47,7	53,3	26,1	na	47,2	56,4	28,4	na	42,1	51,0	26,6	na	43,0	50,7	22,9	na
280	58,3	67,1	35,7	52,2	57,5	70,6	37,5	52,4	53,0	65,2	36,2	50,5	54,8	64,4	32,8	45,6

**Source:** INEI (2018c), Peru Top (2018), SUNAT (2018b). 1/ For S<sub>R</sub> N for 2003, are 54 and 254 firms. These firms are chose because of their levels of assets, income, sales and purchases. 2/ Firma are chosen since 2013 because of their level of assets, sales, income, purchases and payrolls. Cl<sub>N</sub> is the N firms concentration ratios indices; S<sub>G</sub>, S<sub>X</sub> and S<sub>M</sub> are respectively the share of value added, exports and imports of the N firms out of total GDP, exports and imports of goods<sup>28</sup>. S<sub>R</sub> is the share firms' tax income of N firms out of the total firms' tax income. na= not available

**Firms' associations** may also influence trade policy in Peruvian economy. The three main associations are, Sociedad Nacional de Industrias (National Industry Society, SNI, Asociación de Exortadores, (Exporters Associations), ADEX, and Sociedad de Comercio Exterior (External Trade Society), COMEXPeru. SNI gather mainly domestic oriented firms and promotes the development of the manufacturing industry, boosts the market economy and contributes to the development of the country through technical proposals (on labor, tax, and industrial policies). It serves the industry by promoting its competitiveness, the generation of value and the sustainable development of the country.

<sup>27</sup> The Acuña's NEG is not considered since its activities (mainly universities) are not related to tradable goods.

<sup>28</sup> In average for period 2003-2015, the share of GDP of goods has been about 35,7% out of the total GDP of the Peruvian economy.

ADEX is an association –primarily, of non-traditional exporters. They represent and provide services to partners’ organizations (such as exporters, importers and service providers to trade). It has as objectives to contribute to the competitiveness of companies and develop the exportable offer. Promoting exports, international trade and investments. Also, contributes to national development, generation of welfare and employment.

COMEXPeru, composed by exporters and importers, has three main objectives: to promote the development of foreign trade, defend the free market and encourage private investment.

The managers or directors of these associations have participated on trade negotiation of the PTAs as members of the ‘adjoining room’ and participate in meetings or seminars with government entities (e.g., MINCETUR<sup>29</sup> and CONGRESS<sup>30</sup>) to exchange ideas or to get information on diverse topics related to external trade and productive activities.

## **2.5 Informal Employment, Not Salaried Workers, Under and Unemployment in Peru 1980-2012.**

A singular feature of the productive structure and the tradable sector of Peru is the dominance of products intensive in the use of natural resources (particularly, mining resources) and in a minor scale manufactured products intensive in the use of capital (Tello, 1993). Thus, the average share of the primary sector output out of the GDP was 20,0% in period 1950-1989 and 22,3% in period 1990-2017. The liberal structural reforms, however, did affect the manufacturing import substitution sector, particularly to large firms and economic groups, which had to adjust to the new market conditions (Vega 2007). The adjustment implied that the share of the manufactures out of GDP decreased from 16,8% in period 1950-1989 to 15,6% in period 1990-2017. Regarding exports, Table 2.1 shows that in average about 75% of total exports correspond to traditional natural resources intensive sectors in period 1980-2017.

The productive structure and the tradable sector originate a low propensity to generate jobs with troublesome consequences on the degree and type of employment of the labor force<sup>31</sup>. On the one hand, figures in Table 2.4 show a surplus in the labor market wherein the rate of growth of the urban labor supply for period 1961-1997 has been higher than the respective rate of labor demand. On the other hand, figures in Table 2.5 point out that main problem in Peruvian labor markets is not the rate of unemployment, which has had an average rate of 5% in period 1980-2012, but the rate of underemployment, not

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<sup>29</sup> Available at: <https://www.mincetur.gob.pe/12575-2/>.

<sup>30</sup> Available at:

<http://www.congreso.gob.pe/?K=263&id=318&titulo=PLAN%20NACIONAL%20DE%20DIVERSIFICACION%20PRODUCTIVA#.W2RzBtJKi70>

<sup>31</sup> Since 1980s, the main import substitution sector of manufactures employed less than 12% of total labor force (Tello, 1993, MTPE 2012). The share of labor in the mining sector, historically has been very low and less than 1,5% (MTPE, 2012). The share of the agricultural sector even though has been relative higher (more than 25%), most of this labor is dominated for informal activities (Banco Mundial, 2017).



salaried workers and informal employment.<sup>32</sup>

**Table 2.4**  
**Rate of Growth of Urban Labor Demand and Supply of Peru: 1961-1997 (%)**

Period	Supply Rate of Growth	Demand Rate of Growth
1961-1972	2,9	2,8
1972-1981	3,2	2,9
1981-1984	2,8	-1,5
1986-1990	2,3	-1,4
1990-1992	2,5	0,3
1997-1992	4,1	4,2

Source: MTPE (1998).

**Table 2.5**  
**Underemployment, Not Salaried Workers and Informal Employment**

Period	Under-Employment <sup>1,4,5,6</sup>	No Salaried Workers <sup>2</sup>	Informal Employment <sup>3</sup>	Unemployment <sup>2</sup>
1980	51,2	53,1	na	5,5
1984	57,4	59,4	na	6,4
1991	78,5	56,9	na	4,2
1994	74,5	50,3	na	6,3
1997	45,0	63,8	na	6,6
2001	47,6	60,1	78,2	5,1
2007	48,4	58,7	79,9	4,7
2012	30,2	54,6	74,1	3,7

Source: <sup>1</sup> 1980 and 1985, Noguez (1991), <sup>4</sup> 1991 and 1994 data of Metropolitan Lima Vega (2007), <sup>5</sup> 1997 and 2001, MTPE-INEI (2002), <sup>6</sup> 2007 and 2012 MTEP (2012); <sup>2</sup> Castillo (2015), <sup>3</sup> Tello (2013) and INEI (2017).

These figures point out that labor force in Peru was not organized, not representing an interest group for trade policy. Furthermore, as a consequence of labor markets the influence of workers on trade (and any) policy was reduced close to nil due to the Collective Law of Labor on July 1992 (Executive Order No 25593) and the Law of Job Promotion (Legislative Decree No 728) as suggested by Villavicencio (2010).<sup>33</sup>

## 2.6 Consumers and Trade Policy

The fact that most of the labor force in period 2000-2016 had an informal employment<sup>34</sup> and that the average level of education of the labor force was lower than secondary complete in period 1997-2017 implied that consumers did not have consumers' culture

<sup>32</sup> The relationship between underemployment and informality is reported by Bardales (2012) and Uribe, Ortiz, and García (2008).

<sup>33</sup> The Job Promotion law facilitated diverse ways of temporal contracts and simplified administrative procedures. It allowed labor contracts of low non-wages cost for young people and the creation of firms that provided workers to enterprises without paying social benefits to such workers. The Collective Law of Labor allowed to have more than one labor union per firm and established that workers in strike would not be paid salaries during the period of strikes.

<sup>34</sup> In 2016, el 72% of the labor force works in informal activities (INEI 2017).

and representativeness on trade issues (as suggested by Castro García, 2017; INDECOPI 2016; and Galván Pareja, 2006). Furthermore, the *'legitimate and political speech perspectives'* that explain the permanence of the liberal model assert that the beliefs of consumers and most people in Peru have a 'liberal orientation' and consequently their interest did not opposed, in effective way, to trade liberalization.

## 2.7 The Hypothesis

After two decades of macroeconomic disequilibrium, high rates of inflation and poverty, the liberal model implanted in Peru at the beginning of 1990s implied: a new economy based upon markets; liberal ideas; new economic groups and large firms; social fragmentation; political atomization; empowerment of the MEF on trade (and most of economic) policy; technocratic liberal MEF's ministers and the dominant position of informal activities of the labor force. These aspects shows that *Peruvian trade barriers liberalization in period 2000-2015 was led by the powerful MEF and accompanied by traditional and diversified exporters that support the unilateral trade liberalization and import substitution firms that influenced to some degree, and reduced the speed rate of, the process of the unilateral trade barriers liberalization. In addition, the unilateral trade liberalization was facilitated by the weak role of the formal labor force and consumer's interest groups with liberal orientation.* Next section presents evidence supporting this hypothesis.

## 3. The Political Economy Approach to Trade Policy in Peru

The principal idea of modern and old theoretical models on the 'political economy of trade policy' on trade barriers (tariffs or equivalent tariffs of NTB<sup>35</sup>) is that these are determined by supply and demand political factors (Rodrik, 1995). On the demand side, interest groups (economic groups, firms, associations of firms, workers, consumers and so on) rationally weigh the costs and benefits of lobbying for trade barriers (either protection or dismantling and elimination of protection). On the supply side, politicians and policy makers (government and its institutions, who seek maximize self-interested objectives) supply either protection or liberalization.

At the macro level, two particular 'models' have been the base for the empirical political economy analysis of trade policy. One is the Trefler (1993) ad-hoc specification of tariff formation model, and the other is the Grossman-Helpman, GH, (1994) structural model of protection. In Trefler's approach, there is no an implicit political economy trade policy outcome, whereas in GH model, free trade is the implicit political economy trade policy which arise when government does not care about contributions and does not have incentive to impose trade barriers or when all industries are organized, and each citizen is represented by some lobby. In this case, the joint surplus of all lobbies coincides with the well-being of the society hence free trade is the equilibrium outcome. In Peruvian

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<sup>35</sup> NTB coverage ratios have been used as trade barriers. However, they are a notoriously imprecise measure of non-tariff barriers. However, according to Goldberg & Maggi (1999) there seems to be consensus that, in the absence of reliable numbers on tariff equivalents, they are the best available measure (see Sam Laird and Alexander J. Yeats 1990; Trefler, 1993 and Leamer, 1980; for a detailed discussion).

economy, there is no legal device on ‘political contributions’ to political parties. Furthermore, recent investigations on such firms’ contributions from infrastructure sector to some political parties have been assumed as corrupt activities<sup>36</sup>. Consequently, the macro-political economy approach of the trade liberalization policy in Peru in period 2001-2015 is based upon the Trefler’s specification which estimates the statistical relevance of three of the six aspects that make up the political economy of trade policy in Peru for period 2001-2015. The specification is as follow:

$$(3.1) \quad Y_{it} = \begin{cases} \alpha_{1it} \cdot M_{it} + X'_{it} \cdot \vec{\beta}_{it} + \varepsilon_{it}; & Y_{it} > 1; Y_{it} = t_{it}; t_{it}^w; t_{it}^a; t_{nit}; t_{nit}^p \\ 1 & \text{otherwise}^{37}; \end{cases}$$

Wherein  $Y_{it}$  is a trade barrier instrument (i.e., one plus MFN tariffs, and a non-tariff measures) imposed to imports from the World and  $M_{it}$  is the import penetration index. Both for (ISIC Rev.3) sector ‘i’ at year t of period 2001-2015. The set of explanatory variables  $X_{it}$  include three set of political factors and one economic factor. The first political factor is related to new economic groups and large firms. The variables that represents this group are seller, buyer and geographic output concentration ratios. The second political factor is the labor force. The variables that represents this group are human capital, the share of skill (i.e., employees) and unskilled labor (i.e., workers) out of total employment and formal employment. The third political factor are traditional and diversified exporters represented by total real export value and export diversification indicators. The set of economic factors includes entry barriers represented by scale of the sector, capital-labor ratio, and the rate of growth of the real value added of each sector. In addition, the  $X_{it}$  variables consider a dummy variable representing either consumer, intermediate, or capital goods as well as a time trend. This can be interpreted as the basic trade policy followed by the trade instrument. For a liberal evolution of the trade instrument, the coefficient of the time trend should be negative, and for a protectionist evolution, such coefficient should be positive.

Table 3.1 presents the definition and sources of the set of variables used in (3.1). Estimation of specification (3.1) has two steps. In the first step, two import penetration equations are estimated with instruments shown in Tables A3 and A5.<sup>38</sup> The import equations include instruments such as real value of assets of the industry, GDP and total employment. In the second step, for each import penetration equation is applied an exogeneity test based on Blundell & Smith (1986) and Wooldridge (2007). Tables A4 and A6 show the coefficients of both exogeneity tests. Table A1 show the descriptive statistics of variables in Table 3.1.

<sup>36</sup> An example in <https://larepublica.pe/politica/1145024-odebrecht-si-entrego-dinero-campana-keiko-fujimori-confirma-gustavo-gorriti>

<sup>37</sup> For  $Y_{it} = \tau_{it}^p \geq 0$ , i.e., the minimum value is zero.

<sup>38</sup> The initial instruments were capital stock (measured by the real value assets), the size of labor force, and GDP as proxy of others productive factors (Table A3). However, due to potential collinearities among these instruments in Table A5, labor force and GDP were dropped. The estimated import penetration variable using equation results of table A5 was used in the instrumental Tobit estimation of tariffs and NTB of Table 3.3.

<b>Table 3.1</b>	
<b>Economic and Political Economy Indicators That Influence Trade Barriers in Peru</b>	
Indicators	Description Source
<b>A. Trade Barriers and Import Penetration Ratio</b>	
$t_{it}$	Weighted average of tariffs including MFN and preferential tariffs. $(1 + \tau_{itmf_n})$ ; $\tau_{itmf_n} = \sum_{j=1}^{J^i} \sum_{k=1}^K \omega_{jikt} \cdot \tau_{jikt}$ ; $\omega_{jikt} = m_{jikt} / \sum_{j=1}^{J^i} \sum_{k=1}^K m_{jikt}$ ; $\sum_{j=1}^{J^i} \sum_{k=1}^K \omega_{jikt} = 1$ ; $j = \text{tariff line}; i = \text{sector}; k = \text{country}; t = \text{year}$
$t_{it}^w$	Weighted average of MFN tariffs $(1 + \tau_{itmf_n})$ ; $\tau_{itmf_n} = \sum_{j=1}^{J^i} \sum_{k=1}^K \omega_{jikt} \cdot \tau_{jikt}$ ; $\omega_{jikt} = m_{jikt} / \sum_{j=1}^{J^i} \sum_{k=1}^K m_{jikt}$ ; $\sum_{j=1}^{J^i} \sum_{k=1}^K \omega_{jikt} = 1$ ; $j = \text{tariff line}; i = \text{sector}; k = \text{country}; t = \text{year}$
$t_{it}^a$	Simple average of MFN tariffs $(1 + \tau_{itmf_n})$ ; $\tau_{itmf_n} = \sum_{j=1}^{J^i} \sum_{k=1}^K (\tau_{jikt} / J)$ ; $J =$ <i>number of total tariff line in "i" sector</i> $j = \text{tariff line}; i = \text{sector}; k = \text{country}; t = \text{year}$
$t_{nit}$	NTB Coverage indicator $(1 + \tau_{itn})$ ; $\tau_{itn} = \sum_{j=1}^{J^i} \sum_{k=1}^K \omega_{jikt} \cdot D_{jikt}$ ; $\omega_{jikt} = m_{jikt} / \sum_{j=1}^{J^i} \sum_{k=1}^K m_{jikt}$ ; $\sum_{j=1}^{J^i} \sum_{k=1}^K \omega_{jikt} = 1$ ; $j = \text{tariff line}; i = \text{sector}; k = \text{country}; t = \text{year}$ $D_{jikt} = 1$ , if at least one non-tariff measured is applied to the tariff line $j$ , otherwise $D_{jikt} = 0$ ;
$t_{nit}^p$	Number of NTB per tariff line. $\sum_{j=1}^{J^i} \sum_{k=1}^K (N_{jikt} / J)$ ; $J =$ <i>number of total tariff line in "i" sector</i> $j = \text{tariff line}; i = \text{sector}; k = \text{country}; t = \text{year}$ $N_{jikt}$ , is the number of NTB applied to tariff line $j$ , sector 'i' country 'k' at period 't'
$M_{it}$	Import penetration ratio of sector 'i' at period 't'. <sup>39</sup> $M_{it} = m_{it} / (GDP_{it} + m_{it})$ ; Wherein $m_{it}$ is real value of imports.
<b>B. Market (Seller, Buyer and Geographic) Concentration and Barriers to Entry</b>	
$IC_{sit}$	Seller concentration. The ten largest firms seller concentration ratio (on sector on value) of sector 'i' at period 't'
$CI_{sit-D_{CG}}$	$IC_{sit} \cdot D_{CGi}$
$CI_{sit-D_{ING}}$	$IC_{sit} \cdot D_{INGi}$
$CI_{sit-D_{KG}}$	$IC_{sit} \cdot D_{KGI}$
$IC_{bit}$	Buyer concentration. The ten largest firms concentration ratio among buyers of a sector's output 'i' (consumers and downstream industries) at period 't'
$CI_{bit-D_{CG}}$	$IC_{bit} \cdot D_{CGi}$
$CI_{bit-D_{ING}}$	$IC_{bit} \cdot D_{INGi}$
$CI_{bit-D_{KG}}$	$IC_{bit} \cdot D_{KGI}$
$IC_{git}$	Geographic concentration. $\sum_{r=1}^{25} S_{rit} / S_{rit} - PS_{rt}$ ; $S_{rit}$ is the share of value added of sector 'i' at period 't' of region 'r' out of total value share; $PS_{rt}$ is the respective population share
$k_{it}$	Capital entry barrier. The average capital ratio of the sample of firms of sector 'i' at period 't'.

<sup>39</sup> Alternative measure could be:  $M_{it} = m_{it} / (DP_{it} + m_{it} + x_{it})$ , where  $DP_{it}$  is real value of domestic production and  $x_{it}$  is real value of exports.

<b>Table 3.1</b>	
<b>Economic and Political Economy Indicators That Influence Trade Barriers in Peru</b>	
<b>Indicators</b>	<b>Description Source</b>
$SC_{it}$	Scale of the sector. The average sales per firm of the sample of firms divided by half of the sales of sector 'i' at period 't'
$g_{vait}$	Rate of real valued added growth of sector 'i' at period 't'
<b>C. Labor Force Indicators</b>	
$HK_{it}$	Human capital. Share of employed with undergraduate and postgraduate studies out of total labor force of sector 'i' at period 't'
$SK_{it}$	Skilled labor. Share of employees of sector 'i' at period 't'
$USK_{it}$	Unskilled Labor. Share of laborers ('obreros' in Spanish) or with at most secondary education of sector 'i' at period 't'
$SL_{fit}$	Formal Employment size. The share of the formal workers out of the total employed workers in sector 'i' at period 't'
<b>D. Export Size and Diversification Indicators</b>	
$X_{it}$	Real Export value of sector i at period t
$TH_{it}$	Theil Index of diversification
$TH_{Bit}$	Between (extensive) Theil Index of Diversification
$TH_{Wit}$	Within (intensive) Theil Index of Diversification
<b>E. Other Indicators</b>	
$Y_t$	Real GDP of the economy at period t
$K_{it}$	Real Asset value of the largest 10 firms in sector i at period t
$L_{it}$	Labor force employed in sector i at period t
$D_{jit}$	Binary variable with value of one for good type j, otherwise the value is zero; j=CG for each sector 'i' at period 't'.
$D_{jit}$	Binary variable with value of one for good type j, otherwise the value is zero; j= INTG for each sector 'i' at period 't'.
$D_{jit}$	Binary variable with value of one for good type j, otherwise the value is zero; j= KG for each sector 'i' at period 't'.

Source: SUNAT (2018), WITS (2018a, b), INEI (2018a, b, c; 2007), Peru Top (2018). Author's work.

For the first set of import penetration equations (Table A3), the estimated import penetration variable turned out an exogenous variable for all trade barriers except for the average number of NTB per import tariff line (as described in Table A4). In the second set of import penetration equations (Table A5), the import penetration variable is endogenous for both NTB indicators. Table 3.2 presents the coefficients of the Tobit estimation of (3.1)<sup>40</sup> and Table 3.3 presents the coefficient using instrumental Tobit estimations.<sup>41</sup> The estimation results indicate first, in both estimations (Tables 3.2 and 3.3) the import penetration variable affect positively for most of the trade barriers although with different degree of statistical significance.<sup>42</sup> Second, the influence of the firms' interest group on trade barriers is robust in both estimations (Table 3.2 and Table 3.3): supplier concentrated firms increase trade barriers and buyer concentrated firms decrease

<sup>40</sup> Details of the Stata code is in: <https://www.stata.com/manuals13/rtobit.pdf>

<sup>41</sup> Details of the Stata code is in: <https://www.stata.com/manuals13/rivtobit.pdf>

<sup>42</sup> According to Trefler (1993) higher imports generate higher level of non-tariff barriers ( $t_{nsit}$ ) and supposedly also higher level of tariffs ( $t_{it}$ ). According to Goldberg & Maggi (1989), this relationship, in the GH model, should be negative. However, Trefel result can be generated in the GH model if the effect of organized and non-organized sector on trade barriers is the same, and the import penetration enters additively in the trade barrier equation. In (3.2) and (3.3), the effect of the degree of sectoral organization and market power influence on tariffs is assumed to be incorporated in the 10-largest firms' concentration ratio ( $IC_{sit}$ ) consequently it is expected that import-penetration affects positively to tariffs.

trade barriers.<sup>43</sup> However, the degree of statistical significance is higher for buyers than for seller firms. Furthermore, the magnitude of the influence of supplier firms was reduced for consumer and intermediate goods although not in a significant way. Regarding geographically concentrated industries (mainly in the capital of Peru, Lima with greater access to ministries), the coefficients of both estimations (3.2 and 3.3) seem to suggest that they pressed for trade barriers reductions.

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<sup>43</sup> Assuming that buyer and seller firms' concentration ratios are proxy of political influence of large and economic groups of firms, then Trefler (1993) argues that greater seller concentration and/or a smaller seller number of firms alleviate the free-rider problem in coordinating a lobby, thus increasing the level of protection. On the other hand, greater buyer concentration and/or a smaller buyer number of firms alleviate the free-rider problem faced by consumer and downstream groups, thus strengthening the lobby against protection (Olsen's 1965 theory).

Indicator	$t_{it}$	$t_{it}$	$t_{mfnit}^a$	$t_{mfnit}^a$	$t_{mfnit}^w$	$t_{mfnit}^w$	$t_{nit}$	$t_{nit}^p$
<b>A. Import Penetration</b>								
$M_{it}$	0.0558***	0.0525***	0.0242*	0.0196	0.0324**	0.0290*	-0.176	0.027**
	(0.0133)	(0.0132)	(0.0141)	(0.0140)	(0.0151)	(0.0149)	(0.118)	(0.013)
<b>B. Market (Seller, Buyer and Geographic) Concentration and Barriers to Entry</b>								
$CI_{sit}$	0.122	0.533	1.698**	2.480***	1.507**	2.078**	0.574***	0.047***
	(1.204)	(1.367)	(0.724)	(0.847)	(0.747)	(0.879)	(0.143)	(0.010)
$CI_{sit-D_{CG}}$	0.0149	-0.392	-1.574**	-2.350***	-1.377*	-1.944**		
	(1.205)	(1.367)	(0.723)	(0.846)	(0.746)	(0.878)		
$CI_{sit-D_{ING}}$	-0.124	-0.535	-1.742**	-2.525***	-1.549**	-2.121**		
	(1.204)	(1.368)	(0.724)	(0.847)	(0.747)	(0.881)		
$CI_{bit}$	-0.110***	-0.117***	-0.111***	-0.120***	-0.116***	-0.122***	0.257**	-0.003
	(0.0197)	(0.0199)	(0.0183)	(0.0178)	(0.0190)	(0.0190)	(0.114)	(0.116)
$CI_{bit-D_{CG}}$	-1.171***	-1.185***	-1.027***	-1.041***	-1.047***	-1.058***		
	(0.189)	(0.188)	(0.191)	(0.187)	(0.175)	(0.176)		
$CI_{bit-D_{ING}}$	-0.0158	0.00297	0.110***	0.134***	0.0773*	0.0950**		
	(0.0347)	(0.0354)	(0.0362)	(0.0386)	(0.0432)	(0.0469)		
$GC_{it}$	-0.156*	-0.189**	-0.0816	-0.125	-0.121	-0.153*	-3.57***	-0.38***
	(0.0894)	(0.0931)	(0.0790)	(0.0821)	(0.0841)	(0.0888)	(0.897)	(0.061)
$k_{it}$	-0.372***	-0.365***	-0.306***	-0.293***	-0.470***	-0.468***	0.00270	0.090
	(0.112)	(0.119)	(0.0842)	(0.0945)	(0.126)	(0.127)	(0.231)	(0.024)
$SC_{it}$	-0.156*	-0.189**	-0.0816	-0.125	-0.121	-0.153*	3.195	1.219
	(0.0894)	(0.0931)	(0.0790)	(0.0821)	(0.0841)	(0.0888)	(7.830)	(0.875)
$g_{vait}$	-0.0302*	-0.0310*	-0.00692	-0.00785	-0.00891	-0.00964	-0.397**	-0.356**
	(0.0166)	(0.0167)	(0.0182)	(0.0181)	(0.0181)	(0.0181)	(0.196)	(1.399)
<b>C. Labor Force Indicators</b>								
$USK_{it}$	0.00132	0.00156	0.0262	0.0272	0.0278	0.0284	0.0953	-0.033**
	(0.0193)	(0.0193)	(0.0183)	(0.0182)	(0.0195)	(0.0194)	(0.193)	(0.015)
$SK_{it}$	0.0106	0.0142	0.0103	0.0153	0.0184	0.0221	0.421**	-0.039**
	(0.0183)	(0.0185)	(0.0181)	(0.0182)	(0.0191)	(0.0194)	(0.214)	(0.015)
$HK_{it}$	-0.00995	-0.00788	-0.0144	-0.0114	0.00193	0.00410	-0.215	-0.07***
	(0.0190)	(0.0190)	(0.0175)	(0.0171)	(0.0186)	(0.0183)	(0.213)	(0.017)
$SL_{fit}$	-0.00984	-0.00921	-0.00103	-0.000402	-0.00659	-0.00609	0.276*	0.041***
	(0.0113)	(0.0113)	(0.0115)	(0.0116)	(0.0124)	(0.0125)	(0.142)	(0.009)
<b>D. Exports and Diversification</b>								
$X_{it}$	-0.006***	-0.006***	-0.004***	-0.004***	-0.004***	-0.004***		
	(0.000927)	(0.000953)	(0.000920)	(0.000924)	(0.000964)	(0.000979)		
$TH_{it}$	-1.066**		-1.504***		-1.591***			
	(0.453)		(0.418)		(0.448)			
$TH_{bit}$		-3.544*		-4.782**		-4.028*		
		(2.084)		(1.899)		(2.074)		
$TH_{wit}$		-0.890*		-1.276***		-1.425***		
		(0.478)		(0.445)		(0.469)		
<b>E. Other Indicators</b>								
$Trend$	-0.962***	-0.946***	-0.902***	-0.883***	-0.940***	-0.926***	3.325***	0.515***
	(0.0473)	(0.0502)	(0.0474)	(0.0479)	(0.0499)	(0.0508)	(0.591)	(0.040)
$D_{CGit}$	2.378	2.475	10.88***	12.23***	10.17***	11.12***	302.5***	25.57
	(5.683)	(6.032)	(3.282)	(3.455)	(3.410)	(3.549)	(62.29)	(245.9)
$D_{INGit}$	-0.645	-0.498	8.250**	9.664***	7.464**	8.465**	253.4***	22.50
	(5.679)	(6.041)	(3.319)	(3.545)	(3.430)	(3.612)	(62.53)	(245.7)
$Cte$	2,054***	2,024***	1,917***	1,884***	1,997***	1,973***	-6,532***	-
	(94.04)	(99.40)	(93.43)	(94.26)	(98.07)	(99.61)	(1,206)	(259.3)
$Seudo R^2$	0.1489	0.1497	0.1592	0.1608	0.155	0.1558	0.0571	0.0575
$F$	37.35***	36.58***	38.55***	37.26***	35.76***	34.30***	125.84***	72.67***
$Wald$								316.9***
$N_t \leq 100$	25	25	37	37	37	37	100	98

<i>N</i>	417	417	393	393	393	393	417	417
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Source: SUNAT (2018a), WITS (2018a, b), Peru Top (2018), INEI (2018a, b, 2017, 2014, 2007), Table 3.1. Author's work.

Table 3.3								
Tariff and Non-Tariff Barriers Equations 2001-2015								
Indicator	$t_{it}$	$t_{it}$	$t_{mfnit}^a$	$t_{mfnit}^a$	$t_{mfnit}^w$	$t_{mfnit}^w$	$t_{nit}$	$t_{nit}^p$
<b>A. Import Penetration</b>								
$M_{it}$	0.110*	0.116*	0.0440	0.0536	0.0683	0.0755	-1.339	-1.322
	(0.0624)	(0.0600)	(0.0564)	(0.0545)	(0.0592)	(0.0574)	(0.877)	(0.870)
<b>B. Market (Seller, Buyer and Geographic) Concentration and Barriers to Entry</b>								
$CI_{sit}$	0.550	0.917	1.743	2.571	1.685	2.247	0.395*	0.411**
	(1.584)	(1.577)	(1.649)	(1.748)	(1.726)	(1.815)	(0.202)	(0.200)
$CI_{sit\_DCG}$	-0.400	-0.762	-1.614	-2.435	-1.546	-2.103		
	(1.579)	(1.573)	(1.645)	(1.745)	(1.722)	(1.811)		
$CI_{sit\_DING}$	-0.534	-0.898	-1.780	-2.605	-1.715	-2.275		
	(1.577)	(1.573)	(1.644)	(1.745)	(1.722)	(1.812)		
$CI_{bit}$	-0.105***	-0.109***	-0.109***	-0.115***	-0.112***	-0.116***	0.0832	0.132
	(0.0238)	(0.0249)	(0.0211)	(0.0221)	(0.0221)	(0.0233)	(0.223)	(0.221)
$CI_{bit\_DCG}$	-1.400***	-1.447***	-1.108***	-1.174***	-1.194***	-1.239***		
	(0.330)	(0.315)	(0.289)	(0.277)	(0.304)	(0.292)		
$CI_{bit\_DING}$	-0.0537	-0.0473	0.0939	0.104	0.0485	0.0540		
	(0.0653)	(0.0687)	(0.0625)	(0.0655)	(0.0656)	(0.0690)		
$GC_{it}$	-0.305	-0.351**	-0.137	-0.211	-0.221	-0.270	-1.159	-0.623
	(0.192)	(0.176)	(0.174)	(0.160)	(0.183)	(0.168)	(2.015)	(1.998)
$k_{it}$	-0.400**	-0.400*	-0.310*	-0.306*	-0.486**	-0.490**	0.480	0.539
	(0.201)	(0.205)	(0.169)	(0.179)	(0.195)	(0.195)	(0.516)	(0.512)
$SC_{it}$	-0.256	-0.265	0.0994	0.111	0.129	0.138	3.670	7.569
	(0.341)	(0.339)	(0.318)	(0.322)	(0.335)	(0.338)	(12.77)	(12.63)
$g_{vait}$	-2.836	-2.885	-0.546	-0.525	-0.619	-0.607	-44.23**	-44.03**
	(1.903)	(1.909)	(1.811)	(1.810)	(1.903)	(1.907)	(22.50)	(22.31)
<b>C. Labor Force Indicators</b>								
$USK_{it}$	-0.00484	-0.00584	0.0241	0.0235	0.0239	0.0233	0.260	0.313
	(0.0220)	(0.0220)	(0.0195)	(0.0196)	(0.0205)	(0.0206)	(0.265)	(0.263)
$SK_{it}$	0.00104	0.00176	0.00662	0.00836	0.0117	0.0126	0.564**	0.611**
	(0.0230)	(0.0235)	(0.0210)	(0.0214)	(0.0221)	(0.0226)	(0.262)	(0.259)
$HK_{it}$	-0.0306	-0.0329	-0.0221	-0.0250	-0.0122	-0.0146	0.304	0.300
	(0.0318)	(0.0314)	(0.0290)	(0.0288)	(0.0305)	(0.0303)	(0.461)	(0.457)
$SL_{fit}$	-0.0132	-0.0133	-0.00194	-0.00195	-0.00809	-0.00813	0.326**	0.319**
	(0.0139)	(0.0140)	(0.0124)	(0.0124)	(0.0130)	(0.0131)	(0.158)	(0.157)
<b>D. Exports and Diversification</b>								
$X_{it}$	-0.006***	-0.006***	-0.004***	-0.004***	-0.004***	-0.004***		
	(0.00104)	(0.00105)	(0.000970)	(0.000963)	(0.00102)	(0.00102)		
$TH_{it}$	-1.676**		-1.719**		-1.991***			
	(0.811)		(0.733)		(0.770)			
$TH_{bit}$		-3.450*		-4.659***		-3.878**		
		(1.773)		(1.689)		(1.774)		
$TH_{wit}$		-1.661**		-1.682**		-1.983**		
		(0.831)		(0.757)		(0.797)		
<b>E. Other Indicators</b>								
$Trend$	-0.949***	-0.936***	-0.895***	-0.877***	-0.930***	-0.918***	3.485***	3.547***
	(0.0549)	(0.0552)	(0.0506)	(0.0507)	(0.0532)	(0.0534)	(0.639)	(0.633)
$DCG_{it}$	2.431	2.619	10.31*	11.77*	9.635	10.71	329.1	355.8
	(4.864)	(4.900)	(5.997)	(6.480)	(6.283)	(6.695)	(5.786)	(4.873)
$DING_{it}$	-0.838	-0.664	7.607	9.075	6.802	7.872	279.5	306.4
	(4.867)	(4.903)	(6.005)	(6.490)	(6.292)	(6.706)	(5.786)	(4.873)
$Cte$	2,044***	2,022***	1,911***	1,880***	1,989***	1,969***	-7,104	-7,314
	(106.9)	(108.8)	(99.00)	(100.3)	(104.1)	(105.7)	(5,938)	(5,054)
$Seudo R^2$	0.1489	0.1497	0.1592	0.1608	0.155	0.1558	0.0571	0.0575



<i>Wald</i>	589.1***	587.3***	581.1***	579.7***	558.8***	554.4***	173***	174.7***
$N_t \leq 100$	25	25	37	37	37	37	100	98
<i>N</i>	417	417	393	393	393	393	417	417

Source: SUNAT (2018a), WITS (2018a, b), Peru Top (2018), INEI (2018a, b, 2017, 2014, 2007), Table 3.1. Author's work.

Third, most of the coefficients of the labor force indicators were not statistically significant, corroborating the hypothesis of the weak role of the labor force on the determination of trade barriers. Fourth, the coefficients of the indicators of traditional and diversified exporters corroborate the hypothesis of the orientation of exporters towards trade liberalization. Fifth, due to the size of entry barriers (i.e., capital-labor ratios and the sectoral scale) the competitive capacity of firms in domestic and foreign markets seems to have eliminated the need for protection. For the same arguments, growing or advantaged sectors (wherein competitive firms prevails) also seems not to have had need for protection. Lastly, the effects of the type of goods on trade barriers are consistent with the staggered structure of tariffs higher for consumer goods, then intermediate goods and lastly capital goods. An interesting estimation result is that the protection (or liberal) effect of the pressures of supplier (or buyer) firms is reduced (or increased) for consumer and intermediate goods. This result is consistent with the GH model, which predicts that firms producing goods with high import elasticity (such as consumer goods) would have a lower demand for protection since the deadweight loss from protection is higher and the government would be less willing to grant protection.

In summary, the quantitative evidence seems to support the hypothesis that traditional and diversified exporters contributed to the unilateral trade liberalization experienced by Peru in period 2001-2015 and that import substitution firms (represented by suppliers concentration indicators) influenced to some degree the decreasing speed rate of tariffs and have made possible some degree of protection based upon NTB indicators. In addition, this process was facilitated by the weak role of the formal labor force.<sup>44</sup>

#### 4. Conclusions and Learned Lessons

This paper has presented quantitative evidence showing that political economy factors and actors have influenced the Peruvian process of trade liberalization in period 2001-2015. These evidences support the hypothesis that Peruvian trade barriers liberalization in period 2000-2015 was led by the powerful MEF and accompanied by traditional and diversified exporters (that consolidated the unilateral trade liberalization) and import substitution firms. These influenced to some degree<sup>45</sup> and reduced the speed rate of, the process of the unilateral trade barriers liberalization. In addition, the unilateral trade liberalization was facilitated by the weak role of the formal labor force and consumer's interest groups with liberal orientation.

Two main lessons arising from the trade liberalization process in Peru are, on the one hand, the process needs to be internalized and that most of relevant actors that influence trade policy (i.e., keys ministries, entrepreneurs, politicians, and consumers) believe in benefits of the process. On the other hand, that the trade institutional framework be organized in such way

<sup>44</sup> It should be noted that the magnitude of the aggregated sum of regression coefficients including the time trend in the tariffs equations is negative and positive for the NTB equations in accordance with the rate of growth of tariffs and NTBs in period 2000-2015.

<sup>45</sup> These are from light industries (such as textiles, apparels, shoes, and steel products).

that the process flows in a coordinated way and facilitated by absence (or low level) of restrictions or forces against liberalization.

In the case of Peru, the trade liberalization, and more specifically the liberal model, is thought by many, as the one that has produced economic growth, poverty alleviation with high degree of macroeconomic stability, and in consequence, populist cycles of economic policies have been defeated along the past two decades. In addition, not only the trade interventions of the two keys ministries (i.e., MEF and MINCETUR) have been smooth and coordinated, but also the influence on trade of formal workers has been limited mainly to labor regulations (such as, the Collective Law of Labor on July 1992 and the Law of Job Promotion) and its reduced size in the economy. Most labor force in Peru is employed on informal employment.

Although the liberal trade regime can be a natural and comfort state for agents and people for their assumed benefits, the liberal model and trade regime have fallen short of producing economic development given the large size and the dominance of informal employment in the labor force. The primary export structure and the light domestic industries, revitalized with the liberal trade regime, seem to be not enough to generate formal job opportunities to include or absorb the informal labor force. Consequently, a structural productive change is needed to produce economic development with continuous and sustainable economic growth, social inclusion, and without informal employment. The Peruvian case of trade liberalization shows that policy makers should consider carefully the pro and cons of two ways to face trade policy in a developing economy such as Peru. The first way, the point of view (based upon ideology, technical fundamentals or pragmatism) that free trade is the most convenient policy to obtain sustainable economic growth and social inclusion. The second way that trade policy should be consistent with a general economic policy that leads the economy to a sustainable economic development process with the absence of informal activities and social inclusion. In this position, the trade liberalization process (and the implementation of many PTA) experienced by Peru, may have limited other set of economic policies and instruments to yield economic development.

## **ANNEX TABLES**

**Table A1**  
**Descriptive Statistics of Variables of Equation 3.1**

Variable	ISIC-R3	500	1110	1511	1512	1513	1514	1520	1531	1541	1543	1549	1551	1554	1711	1729	1810	1920
N	Statistics	15	13	11	15	15	11	15	12	15	12	15	5	13	15	12	13	13
<b>Dependent Variables</b>																		
$t_{it}$	mean	101.6	104.3	110.1	103.6	108.2	102.1	111.3	111.6	110.4	114.5	106.0	109.7	108.9	112.8	109.1	116.0	117.2
	sd	2.302	5.765	5.491	4.197	6.346	2.610	11.24	11.11	11.36	8.329	5.412	4.736	3.721	3.992	3.172	3.363	3.453
	min	100.0	100	104.2	100	102.0	100.1	100.7	100.6	100.0	104.6	100.7	104.4	100.9	107.5	104.7	109.7	110.9
	max	107.3	112	116.7	111.2	118.6	106.7	124.3	125.9	124.0	123.2	112.1	115.9	112.0	117.7	112.5	118.8	120.0
$t_{it}^a$	mean	107.4	105.0	112.5	107.2	114.6	105.4	111.3	111.4	111.5	113.7	109.3	109.0	109.9	114.9	111.2	117.0	117.4
	sd	5.331	5.716	5.298	5.874	6.230	3.534	8.234	6.768	9.888	5.717	5.071	2.977	2.565	3.491	3.584	3.456	3.525
	min	100	100	105.8	100	105.0	101.3	100.1	102.5	100	105.2	102.2	106	106	107.9	103.5	110.7	111
	max	111.8	112	118.0	112	119.7	109.3	118.3	117.9	120	119.0	113.5	112	112	117.8	114.9	119.6	120
$t_{it}^w$	mean	107.3	104.6	110.7	107.2	114.7	102.9	111.7	111.4	111.5	114.0	107.4	109.1	109.9	114.4	109.9	116.9	117.4
	sd	5.795	6.076	4.356	5.904	6.338	2.688	9.357	9.166	9.888	6.299	4.949	2.911	2.565	3.557	2.749	3.312	3.525
	min	100	100	105.2	100	105.8	100.2	100.0	101.0	100	105.2	101.0	106	106	108.4	105.5	110.8	111
	max	112.0	112	115.0	112	119.9	105.9	119.9	120.0	120	119.7	111.6	112	112	118.2	112.7	119.6	120
$t_{nit}$	mean	164.6	146.2	200	198.9	199.1	181.2	199.9	195.3	200	200	199.6	200	200	116.5	100.2	166.8	176.2
	sd	40.61	51.89	0	1.999	2.216	34.00	0.087	11.13	0	0	0.874	0	0	21.35	0.110	46.34	43.52
	min	100	100	200	193.9	193.7	115.7	199.7	169.2	200	200	197.4	200	200	100.4	100.1	100	100
	max	199.9	200	200	200	200	200	200	200	200	200	200	200	200	156.5	100.3	197.7	200
$t_{nit}^p$	mean	4.918	1.385	9.501	4.953	8.452	6.158	12.92	9.623	6.667	9.778	8.765	5.000	4.385	5.030	2.250	0.692	1.558
	sd	2.365	1.557	3.557	2.070	3.544	2.359	5.830	4.434	2.992	3.380	2.762	1.953	1.557	0.786	1.545	0.480	0.951
	min	1.333	0	5.310	2.822	4	2.571	6.318	2.091	4	4	5.400	2.889	3	3.111	1	0	0
	max	9.185	3	15.11	8.638	12.83	8.660	23.30	14.38	11	12.92	11.88	6.667	6	5.480	4	1	2.250
<b>A. Import Penetration</b>																		
$M_{it}$	mean	1.160	50.93	9.278	6.163	11.00	66.35	24.35	11.29	1.484	35.71	35.09	47.04	6.293	30.23	28.06	50.43	36.32
	sd	0.604	4.987	0.990	3.723	3.487	2.897	4.708	4.451	0.448	2.916	3.023	12.64	1.994	6.825	6.156	12.40	10.96
	min	0.687	41.35	7.969	1.876	7.710	60.90	16.52	5.529	0.944	31.79	31.66	34.50	3.863	20.24	20.66	37.08	24.48
	max	2.864	55.98	11.23	13.11	19.34	70.80	34.25	18.59	2.432	39.95	42.72	66.51	9.245	41.20	37.00	75.83	59.75
<b>B. Market (Seller, Buyer and Geographic) Concentration and Barriers to Entry</b>																		
$CI_{sit}$	mean	27.14	42.32	2.467	34.27	18.00	16.15	54.97	21.85	5.904	32.88	29.97	7.996	60.46	20.83	7.467	57.85	5.484
	sd	5.704	22.86	0.663	6.700	4.603	17.87	7.792	5.134	1.281	6.618	19.38	2.612	10.28	3.500	3.231	17.97	1.913
	min	18.99	19.87	0.822	21.93	7.896	3.993	31.79	15.48	2.706	20.94	2.032	4.439	48.12	16.50	1.899	27.37	2.027
	max	38.01	95.95	3.494	44.64	27.21	47.33	66.76	31.75	8.409	44.91	57.01	10.75	77.91	26.70	12.00	83.89	9.514

**Table A1**  
**Descriptive Statistics of Variables of Equation 3.1**

<b>Variable</b>	<b>ISIC-R3</b>	<b>500</b>	<b>1110</b>	<b>1511</b>	<b>1512</b>	<b>1513</b>	<b>1514</b>	<b>1520</b>	<b>1531</b>	<b>1541</b>	<b>1543</b>	<b>1549</b>	<b>1551</b>	<b>1554</b>	<b>1711</b>	<b>1729</b>	<b>1810</b>	<b>1920</b>
<i>CI<sub>sit</sub>-D<sub>CGit</sub></i>	mean	0	0	2.467	34.27	18.00	0	54.97	21.85	5.904	32.88	29.97	7.996	60.46	0	7.467	57.85	5.484
	sd	0	0	0.663	6.700	4.603	0	7.792	5.134	1.281	6.618	19.38	2.612	10.28	0	3.231	17.97	1.913
	min	0	0	0.822	21.93	7.896	0	31.79	15.48	2.706	20.94	2.032	4.439	48.12	0	1.899	27.37	2.027
	max	0	0	3.494	44.64	27.21	0	66.76	31.75	8.409	44.91	57.01	10.75	77.91	0	12.00	83.89	9.514
<i>CI<sub>sit</sub>-D<sub>INGit</sub></i>	mean	27.14	42.32	0	0	0	16.15	0	0	0	0	0	0	0	20.83	0	0	0
	sd	5.704	22.86	0	0	0	17.87	0	0	0	0	0	0	0	3.500	0	0	0
	min	18.99	19.87	0	0	0	3.993	0	0	0	0	0	0	0	16.50	0	0	0
	max	38.01	95.95	0	0	0	47.33	0	0	0	0	0	0	0	26.70	0	0	0
<i>CI<sub>sit</sub>-D<sub>KGit</sub></i>	mean	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	sd	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	min	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	max	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>CI<sub>bit</sub></i>	mean	28.33	0.416	0.156	0.0604	0.451	18.67	4.171	1.449	0.0229	3.250	5.449	0.053	81.37	5.711	0.576	0.330	0.302
	sd	6.876	0.181	0.0423	0.0279	0.129	19.76	0.586	0.345	0.00503	0.762	0.838	0.019	8.560	0.652	0.0901	0.049	0.117
	min	19.47	0.266	0.0513	0.00318	0.189	4.336	2.558	0.661	0.0104	1.975	4.460	0.019	71.54	4.306	0.403	0.254	0.0950
	max	44.36	0.903	0.222	0.140	0.745	50.26	4.913	2.075	0.0327	4.749	7.266	0.062	95.75	6.611	0.758	0.407	0.464
<i>CI<sub>bit</sub>-D<sub>CGit</sub></i>	mean	0	0	0.156	0.0604	0.451	0	4.171	1.449	0.0229	3.250	5.449	0.053	0	0	0.576	0.330	0.302
	sd	0	0	0.0423	0.0279	0.129	0	0.586	0.345	0.005	0.762	0.838	0.019	0	0	0.0901	0.049	0.117
	min	0	0	0.0513	0.0032	0.189	0	2.558	0.661	0.0104	1.975	4.460	0.019	0	0	0.403	0.254	0.0950
	max	0	0	0.222	0.140	0.745	0	4.913	2.075	0.0327	4.749	7.266	0.062	0	0	0.758	0.407	0.464
<i>CI<sub>bit</sub>-D<sub>INGit</sub></i>	mean	28.33	0.416	0	0	0	18.67	0	0	0	0	0	0	0	5.711	0	0	0
	sd	6.876	0.181	0	0	0	19.76	0	0	0	0	0	0	0	0.652	0	0	0
	min	19.47	0.266	0	0	0	4.336	0	0	0	0	0	0	0	4.306	0	0	0
	max	44.36	0.903	0	0	0	50.26	0	0	0	0	0	0	0	6.611	0	0	0
<i>CI<sub>bit</sub>-D<sub>KGit</sub></i>	mean	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	sd	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	min	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	max	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>CG<sub>it</sub></i>	mean	86.19	90.18	88.24	89.48	95.30	95.42	93.41	91.89	92.78	97.52	94.14	98.78	95.70	92.29	96.96	97.52	96.95
	sd	2.101	3.118	1.436	1.256	0.329	0.270	0.526	0.844	0.668	0.108	0.535	0.016	0.269	0.798	0.142	0.120	0.170
	min	81.49	85.01	86.69	88.00	94.94	95.03	92.80	91.02	92.00	97.42	93.49	98.76	95.43	91.35	96.79	97.41	96.79
	max	89.51	95.57	90.80	91.70	95.97	95.99	94.50	93.53	94.07	97.81	95.12	98.80	96.35	93.75	97.34	97.83	97.37

**Table A1**  
**Descriptive Statistics of Variables of Equation 3.1**

Variable	ISIC-R3	500	1110	1511	1512	1513	1514	1520	1531	1541	1543	1549	1551	1554	1711	1729	1810	1920
$k_{it}$	mean	0.139	22.62	0.0239	0.147	0.0138	0.153	0.049	0.150	0.0163	0.037	0.027	0.058	0.058	0.066	0.0229	0.021	0.105
	sd	0.177	35.35	0.009	0.211	0.0086	0.065	0.030	0.194	0.0134	0.027	0.013	0.025	0.016	0.026	0.0204	0.019	0.134
	min	0.030	1.053	0.0118	0.0468	0.0013	0.039	0.012	0.013	0.004	0.002	0.013	0.028	0.040	0.040	0.0057	0.007	0.0057
	max	0.725	128.3	0.0467	0.893	0.0307	0.256	0.108	0.744	0.0512	0.098	0.0497	0.092	0.098	0.150	0.0579	0.079	0.416
$SC_{it}$	mean	0.010	0.152	0.0200	0.0235	0.0271	0.393	0.127	0.0281	0.0044	0.100	0.0231	0.063	0.111	0.0235	0.0199	0.053	0.0296
	sd	0.006	0.094	0.0118	0.0274	0.0279	0.639	0.088	0.0232	0.0031	0.075	0.0193	0.014	0.07	0.0135	0.0216	0.054	0.0461
	min	0.002	0.067	0.0067	0.0002	0.0002	0.028	0.022	0.0045	0.001	0.016	0.0052	0.044	0.029	0.0078	0.0037	0.011	0.0022
	max	0.021	0.406	0.0459	0.109	0.0850	2.275	0.318	0.0752	0.0107	0.240	0.0545	0.082	0.256	0.0466	0.0800	0.151	0.162
$g_{vait}$	mean	2.427	6.736	5.516	1.147	6.171	6.777	6.975	2.831	3.177	5.164	5.012	3.269	5.822	3.037	4.432	3.119	-7.374
	sd	25.06	10.21	3.260	28.60	8.075	5.992	5.180	4.351	4.148	5.813	6.882	2.831	4.304	9.668	10.33	10.30	17.49
	min	-36.2	-9.17	0.341	-29.96	-8.675	-0.65	-4.14	-4.297	-4.297	-3.95	-6.434	0.987	0.987	-15.30	-15.30	-16.1	-39.90
	max	61.73	27.28	10.78	77.58	22.43	18.21	18.46	10.77	10.77	14.44	17.36	7.071	14.31	23.56	23.56	26.96	25.37
<b>C. Labor Force Indicators</b>																		
$USK_{it}$	mean	68.36	46.04	53.03	74.72	75.67	58.68	52.39	63.76	52.59	40.68	54.67	63.98	54.05	75.93	57.34	58.11	68.52
	sd	4.859	12.51	16.28	9.419	7.542	13.52	11.55	10.50	6.487	13.50	12.61	11.78	13.67	7.729	18.78	5.343	9.193
	min	60.80	27.80	27.30	60	61.30	47.50	35.80	46.10	45	15.60	33.60	55.50	31.20	64.70	28.90	48.80	52.50
	max	76.50	67.20	71.50	92.80	89.20	84.10	72.50	79.40	70	60.60	77.40	83.80	78.90	92	91.30	66.90	82.60
$HK_{it}$	mean	9.067	59.31	24.50	28.42	31.96	43.99	32.41	22.68	21.17	35.57	26.14	37.48	54.21	24.11	46.03	22.78	17.32
	sd	2.938	14.88	16.37	10.94	10.01	11.47	9.316	8.620	5.559	15.04	10.97	16.58	17.52	5.936	24.57	4.144	6.166
	min	3.400	25.40	5.500	9.400	10.10	25.60	15.50	11.30	11.60	16.70	5.300	8.900	18	15.20	7.400	16.60	6.700
	max	13.10	74.50	54.80	42.10	51.30	61.30	47.90	39.60	31	72.80	46.20	52	80.40	35.40	84.30	33	26.50
$SK_{it}$	mean	51.81	78.45	71.29	68.55	68.85	82.84	59.69	59.50	60.88	66.36	63.01	56.72	72.44	51.89	54.83	66.48	70.88
	sd	5.326	10.88	10.61	7.392	8.978	12.65	10.68	8.794	3.634	15.12	9.976	25.72	10.72	11.93	19.75	3.146	4.219
	min	41	54.50	51.50	53.60	50.70	52.50	43.80	48.50	53.10	32.50	50.60	22.40	59.40	19.10	22.40	60.60	64.70
	max	60.10	93.40	83.50	80.40	85.80	95.10	78.30	79.40	65.90	88.80	84.30	93.30	96.90	67	80.60	70.90	78.40
$SL_{fit}$	mean	20.96	96.85	65.60	90.85	88.70	87.83	49.21	54.95	26.53	50.88	50.95	48.72	90.90	58.87	60.25	33.98	28.25
	sd	6.592	4.059	14.82	5.597	4.014	22.38	9.376	9.677	9.932	16.60	20.37	5.893	7.561	10.42	24.21	5.760	8.996
	min	13.40	87.60	36.90	80.40	82.90	28	32.30	36	8.800	28.30	18.30	41.70	73.70	38.90	17.30	25.90	14.20
	max	40.40	100	86.60	98.50	97	100	65.60	66.40	41.80	84.90	82.10	56.10	99.50	74	91.20	44.70	48.50
<b>D. Exports and Diversification</b>																		
$TH_{Bit}$	mean	0.441	0.110	0.183	0.104	0.137	0.349	0.353	0.0761	0.351	0	0.0762	0	0	0.0684	0.0455	0.093	0.0743
	sd	0.107	0.259	0.179	0.0383	0.0314	0.148	0.134	0.0339	0.110	0	0.0505	0	0	0.0158	0.0575	0.018	0.0238

Table A1																		
Descriptive Statistics of Variables of Equation 3.1																		
Variable	ISIC-R3	500	1110	1511	1512	1513	1514	1520	1531	1541	1543	1549	1551	1554	1711	1729	1810	1920
	min	0.287	0	0.0001	0.0488	0.0811	0.064	0.118	0.0396	0.209	0	0.0028	0	0	0.0508	0.0005	0.061	0.0191
	max	0.644	0.693	0.463	0.172	0.193	0.524	0.594	0.138	0.510	0	0.148	0	0	0.103	0.185	0.110	0.108
$TH_{wit}$	mean	1.175	0.117	0.837	1.750	1.529	2.160	1.974	1.262	0.263	0.871	1.384	1.516	0.575	1.448	1.533	2.418	0.884
	sd	0.522	0.223	0.324	0.553	0.177	0.222	0.191	0.204	0.0663	0.141	0.173	0.325	0.252	0.127	0.152	0.227	0.133
	min	0.397	0	0.254	0.712	1.290	1.694	1.498	0.943	0.0343	0.542	0.872	0.989	0.297	1.292	1.240	2.044	0.664
	max	1.959	0.547	1.233	2.305	1.834	2.509	2.262	1.628	0.328	1.028	1.561	1.883	1.214	1.675	1.822	2.702	1.090
$TH_{it}$	mean	1.616	0.227	1.021	1.855	1.666	2.510	2.328	1.338	0.614	0.871	1.460	1.516	0.575	1.517	1.578	2.511	0.958
	sd	0.538	0.305	0.401	0.557	0.186	0.224	0.193	0.214	0.117	0.141	0.197	0.325	0.252	0.130	0.181	0.218	0.137
	min	0.684	0	0.325	0.801	1.371	2.219	2.067	1.022	0.428	0.542	0.878	0.989	0.297	1.346	1.244	2.144	0.727
	max	2.413	0.693	1.622	2.420	1.998	2.942	2.770	1.714	0.813	1.028	1.636	1.883	1.214	1.766	1.846	2.797	1.173
<b>E. Other Indicator</b>																		
$D_{CGit}$	mean	0	0	1	1	1	0	1	1	1	1	1	1	1	0	1	1	1
$D_{KGit}$	mean	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
$D_{INGit}$	mean	1	1	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0

Source: SUNAT (2018a), WITS (2018a, b), Peru Top (2018), INEI (2018a, b, 2017, 2014, 2007), Table 3.1. Author's work.

**Table A2**  
**Features of Key Minister's MEF 2000-2015**

<b>Minister</b>	<b>Period</b>	<b>Description</b>
Dr. Carlos Boloña Behr	15/02/91-07/01/93 28-07/24-11/00	Executive President of 'AFP' Horizonte (1993-1994), Executive Director of 'Nicolini Hermanos S.A' (1994-1996, and since 1996 belongs to Romero NEG <sup>46</sup> ), Rector of San Ignacio de Loyola University (1995-2000). President of the directory of Domino's Pizza-Peru (1995-2000). Board's member of Financiera CMR S.A y Saga Falabella S.A (from June to July 2000). He wrote (Boloña, 1993): <i>"The only way to avoid the previous events, these cyclical and permanent crisis is by chosen a radical route different than those of privileges, interventionism, and mercantilism. This radical route is that of the reforms towards a market economy, rule of law, and old ideas of the economic and political liberalism"</i> (pp. 52). In Boloña (1999), he adds <i>"liberalism is not a policy in favor of particular groups but rather is a policy that serves the interest of humanity"</i> . (pp. 1).
Dr. Javier Silva Ruete	25/11/00-27/07/01 12/07/02-24/07/03	He was International Monetary Fund's Alternate Executive Director (for Peru, Argentina, Chile, Paraguay, Uruguay, and Bolivia) and held several posts in the public sector and with international organizations, including President of the Central Reserve Bank of Peru. He also served as Governor of the International Monetary Fund, World Bank and Inter-American Development Bank, and was a board member of the Latin American Reserve Fund. In 1999, he wrote: <i>"We live in a globalized world, and do not realize this, is not having sense of the world revolution that is happening...we consider that the economic context we have to develop is a 'market social economy'...we consider that fiscal stability is a prerequisite of development"</i> (pp. 1, 18).
Dr. Pedro Pablo Kuczynsky Godard	28/08/01-11/07/02 16/02/04-15/08/05	He was President of Peru between July 28 of 2016 and March 2017. He worked in international institutions (e.g., World Bank, and IFC), as a director or chairman of mining companies (e.g., Halco Mining, Magma Copper, and Southern Peru Copper Corporation), financing and/or investment entities (e.g., Kuhn, Loeb & Co., First Boston, R.O.C. Taiwan Fund, and Ternium Inc) and

<sup>46</sup> In 1996, the Romero NEG acquired 'Nicolini Hnos' and in 1997 changed its name from 'Consortio de Alimentos Fabril Pacífico S.A' to ALICORP, the biggest consumer goods enterprise of Peru with operations in several Latin American Countries.



**Table A2**  
**Features of Key Minister's MEF 2000-2015**

Minister	Period	Description
		private companies (e.g. Compañía de Acero del Pacifico, Toyota Motor Corporation). In 2016 he affirmed: <i>“the progress in the trade and investment opening in the last two decades have contributed to Peruvian reintegration competitively to the world economy overcoming the stagnation era of the eighties and beginning of the nineties. External trade was favored by reductions of tariffs and quotas and the promotion of free trade agreements”</i> . (pp. 183). According to BBC-UK, <i>“Kuczynsky is a centre-right politician who believes in the free market”</i> . <sup>47</sup>
Econ. Fernando Zavala Lombardi	16/08/05-27/07/06 23/06/17-17/09/17	He occupied manager (including Chairman) posts in Samtronics Perú (a trader firm in appliances and electronics), Apoyo Publications, Backus y Johnston, Cervecería Nacional – SABMiller, Interbank (i.e, Rodríguez-Pastor NEG), Alicorp (i.e, Romero NEG) Universidad Peruana de Ciencias Aplicadas, Inmobiliaria IDE, Cervecería San Juan, Banco Falabella, Enersur, Innova Schools y director of COMEX. He held public posts in INDECOPI, MEF and PCM. In an interview with Zavala in 2006 he claimed that: <i>“Ministers’ economy are not robots, they do not obey and follow neoliberal economic policies, rather they want to have figures and accounts at equilibrium, avoid indebtedness and future checks. The minister attempt to allocate resources efficiently and try to grow first, then organize accounts and opening up the economy to the world. When all of this is working, then we should seek to improve income distribution and social policies. In a country in crisis and recession, one cannot think to improve social policies because there are not resources for them”</i> . <sup>48</sup>
Dr. Luis Carranza Ugarte	28/07/06-13/07/08 20/01/09-21/12/09	Since April of 2017 he is executive President of CAF. He held positions at the IMF, BBVA, IADB, FLAR and World Bank. In an interview he affirmed: <i>“we want progress in competitiveness, this is essential, and it means that firms achieve lower production costs, more markets, generate new products, and improve technology. One instrument is the opening of the markets through PTA, since with WTO there has been low progress.</i>

<sup>47</sup> <https://www.bbc.com/news/world-latin-america-36459958>

<sup>48</sup> Available at: <https://www.mef.gob.pe/es/comunicados-y-notas-de-prensa/101-entrevistas/844-fernando-zavala-lombardi>

**Table A2**  
**Features of Key Minister's MEF 2000-2015**

Minister	Period	Description
		<p><i>Also progress could be made by decreasing tariffs. On December 2006, the reduction of tariffs have given us extraordinary results: about 50% of the tariff lines have zero tariffs. These reductions has been one of the most important since 1990s. May be at the end of this year (2007) we will announce further tariffs cut. The Peru-USA PTA not only is an agreement with zero tariffs between these countries, also this agreement will provide security regarding investment flows and the markets' law. The real gain with the Peru-USA PTA is the increase of investment".<sup>49</sup></i></p>
Dra. Mercedes Aráoz Fernandez	22/12/09-13/08/10	<p>She was named prime minister of Peru in September 2017. Previously, she was second vice president and congresswoman since July 2016. Aráoz Fernandez has also served as country representative for the Inter-American Development Bank in Mexico and as the first female finance minister of Peru from 2009 to 2010. She served as minister of foreign trade and tourism from 2006 to 2009, and also as Peru's production minister during 2009. Aráoz Fernandez has worked as a consultant with a variety of international organizations including the World Bank, the United Nations Conference on Trade and Development, the Organization of American States, and the CAF – Development Bank of Latin America.<sup>50</sup></p> <p>On December of 2009<sup>51</sup>, she affirmed: <i>"my history as an economist since many years ago has been one of promoting fiscal prudence, and I as Luis Carranza have had this posture at the economic cabinet. In other words I have been compared as part of the most liberal group in the government and in economic policy"</i>. On March of 2010<sup>52</sup>, she added: <i>"We economist attempt to avoid slogans such as 'PTA means a liberal ideology". The international trade theory is an old theory and 'David Ricardo' was one of</i></p>

<sup>49</sup> Available at: <https://www.mef.gob.pe/en/comunicados-y-notas-de-prensa/101-entrevistas/853-luis-carranza>

<sup>50</sup> Available at: <http://www.as-coa.org/speakers/mercedes-ar%C3%A1oz-fern%C3%A1ndez>.

<sup>51</sup> Available at: <https://www.mef.gob.pe/es/entrevistas-a-funcionarios/101-notas-de-prensa-y-comunicados-/entrevistas/866-entrevista-al-director-general-de-programacion-multianual->

<sup>52</sup> Available at: <https://www.mef.gob.pe/es/entrevistas-a-funcionarios/101-notas-de-prensa-y-comunicados-/entrevistas/1044-entrevista-a-la-ministra-de-economia-y-finanzas-mercedes-araoz-en-el-programa-qprimera-edicionq-de-canal-4-sobre-retos-que-asume-en-la-cartera-de-economia-y-finanzas-trabajo-con-regiones->

**Table A2**  
**Features of Key Minister's MEF 2000-2015**

Minister	Period	Description
		<p><i>the thinker of that theory, it says, that trade could improve the allocation of resources, and consequently we should ensure more and greater competition which is the most democratic way that exist since the consumer can chose better, buy a cheaper a better quality products. PTA impose the rules of trade and avoid unfair competition, and the liberalization goal is to have zero tariffs. These has been the guidelines since twenty years ago. The orientation of trade policy is upon reducing tariff dispersion, i.e., the number of types of tariffs (consumer, input and capital goods) and also the tariffs level. The reductions of tariffs is in groups of goods avoiding the influence of individual firms for individual goods. We work on reductions from intermediate or inputs goods, capital and consumer goods. We never decrease tariffs just for themself".</i></p>
<p>Eng. Ismael Alberto Benavides Ferreyros</p>	<p>14/09/10-27/07/11</p>	<p>Linked by family ties to Benavides NEG, he has been consultant for the World Bank, and general manager or director of 'Interbank' (another entity associated to the Rodriguez-Pastor NEG), 'Banco Internacional del Perú', ASBANC and 'Cámara de Comercio Peruano-Chilena'. He is also exporter of agricultural and wine products and provides processing and packinghouse services. In MEF (2011), he wrote: "These indicators (i.e, high rate of economic growth and the reduction of the poverty rate) could not have been possible without the enthusiast participation of the private investment which quadrupled the public investment generating employment and welfare to the population. At the same time, the trade opening and the PTA allowed and increase of non-traditional exports and contributing the economic growth. We should define more aggressive goals not only on growth and poverty reduction but also eliminating the diverse bottlenecks that limit the development of the economy (such as deficiencies in education, deficit in infrastructure, poor institutional framework, lack of investment on science and technology, and the lack of competitiveness of the economy which limit competition in the globalized world". (pp. 7-8).</p>
<p>Dr. Luis Miguel Castilla Rubio</p>	<p>28/07/11-14/08/14</p>	<p>He is manager of the IADB Effectiveness and Strategy Planning Office. He was ambassador in the United States, economist chief of CAF</p>

**Table A2**  
**Features of Key Minister's MEF 2000-2015**

Minister	Period	Description
		<p>and economist at the World Bank. In an interview<sup>53</sup>, he affirms: <i>“The most important of this period (2011-2014) is to have achieved that the economic model installed in Peru since 1990s, which has provided good results, endure through time and to have consolidated three key aspects, maintaining the macroeconomic fundamentals, deepening the trade opening, and creating favorable investment conditions. The Humala administration continued with these aspects although with special emphasis on social inclusion and decreasing the urban-rural gaps”</i>.</p>

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<sup>53</sup> Available at: <http://focoeconomico.org/2016/11/27/entrevista-a-luis-miguel-castilla-rubio/>

Table A3		
First Stage of the Exogeneity Tests: The Import Penetration Equation		
Indicators	$M_{it}$	$M_{it}$
<b>A. Market (Seller, Buyer and Geographic) Concentration and Barriers to Entry</b>		
$CI_{sit}$	-9.145*	-7.130
	(4.853)	(4.898)
$CI_{sit}-D_{CGit}$	8.779*	6.788
	(4.851)	(4.894)
$CI_{sit}-D_{INGit}$	8.676*	6.676
	(4.854)	(4.897)
$CI_{bit}$	-0.0273	-0.0617
	(0.0822)	(0.0830)
$CI_{bit}-D_{CGit}$	5.303***	5.194***
	(0.741)	(0.738)
$CI_{bit}-D_{INGit}$	0.532***	0.609***
	(0.173)	(0.175)
$CG_{it}$	2.722***	2.483***
	(0.292)	(0.307)
$k_{it}$	-0.188	-0.0736
	(0.280)	(0.282)
$SC_{it}$	1.519	1.517
	(1.091)	(1.085)
$g_{vait}$	-1.439	-1.551
	(6.513)	(6.474)
<b>B. Labor Force Indicators</b>		
$USK_{it}$	0.132*	0.131*
	(0.0718)	(0.0714)
$SK_{it}$	0.143**	0.157**
	(0.0703)	(0.0702)
$HK_{it}$	0.376***	0.382***
	(0.0711)	(0.0707)
$SL_{fit}$	0.139***	0.146***
	(0.0512)	(0.0510)
<b>C. Exports and Diversification</b>		
$X_{it}$	0.00126	-0.000786
	(0.00335)	(0.00344)
$TH_{Bit}$		-1.423
		(5.608)
$TH_{Wit}$		12.32***
		(1.339)
$TH_{it}$	11.60***	
	(1.313)	
<b>D. Other Indicator</b>		
$Trend$	-3.789**	-3.830**
	(1.651)	(1.641)
$D_{CGit}$	-4.341	-4.694
	(14.59)	(14.50)
$D_{INGit}$	3.217	3.029
	(14.60)	(14.51)
$L_{it}$	9.34e-05***	9.66e-05***
	(2.15e-05)	(2.14e-05)

$K_{it}$	0.0947***	0.0845***
	(0.0265)	(0.0266)
$GDP_t$	0.000177**	0.000184**
	(8.32e-05)	(8.28e-05)
$Cte$	7,261**	7,363**
	(3,288)	(3,269)
$F$	26.21***	25.62
$R^2$	0.594	0.599
$N$	417	417

Table A4								
Second Stage of Exogeneity Tests of Trade Barriers								
Indicators	$t_{it}$	$t_{it}$	$t_{it}^a$	$t_{it}^a$	$t_{it}^w$	$t_{it}^w$	$t_{nit}$	$t_{nit}^p$
<b>A. Import Penetration</b>								
$M_{it}$	0.0302	0.0454	-0.0429	-0.0264	-0.0358	-0.0155	-0.141	0.0291*
	(0.0532)	(0.0534)	(0.0509)	(0.0517)	(0.0547)	(0.0549)	(0.188)	(0.0164)
<b>B. Market (Seller, Buyer and Geographic) Concentration and Barriers to Entry</b>								
$CI_{sit}$	-0.0881	0.486	1.160	2.184	0.965	1.791	0.58***	0.048***
	(1.544)	(1.546)	(1.618)	(1.701)	(1.690)	(1.760)	(0.137)	(0.0120)
$CI_{sit-D_{CGit}}$	0.219	-0.347	-1.052	-2.064	-0.851	-1.667		
	(1.540)	(1.543)	(1.615)	(1.698)	(1.687)	(1.756)		
$CI_{sit-D_{INGit}}$	0.0780	-0.491	-1.225	-2.243	-1.028	-1.847		
	(1.539)	(1.543)	(1.614)	(1.698)	(1.686)	(1.757)		
$CI_{bit}$	-0.112***	-0.118***	-0.117***	-0.126***	-0.122***	-0.128***	0.263	0.00055
	(0.0236)	(0.0244)	(0.0217)	(0.0226)	(0.0228)	(0.0237)	(0.164)	(0.0144)
$CI_{bit-D_{CGit}}$	-1.064***	-1.156***	-0.758***	-0.864***	-0.776***	-0.886***		
	(0.297)	(0.292)	(0.276)	(0.273)	(0.291)	(0.287)		
$CI_{bit-D_{INGit}}$	0.00210	0.00838	0.162***	0.173***	0.130**	0.133*		
	(0.0610)	(0.0643)	(0.0607)	(0.0644)	(0.0642)	(0.0678)		
$CG_{it}$	-0.0873	-0.172	0.102	-0.00958	0.0650	-0.0410	-3.6***	-0.42***
	(0.167)	(0.161)	(0.160)	(0.154)	(0.170)	(0.163)	(0.878)	(0.0766)
$k_{it}$	-0.339*	-0.356*	-0.248*	-0.248	-0.381*	-0.413**	-0.0107	-0.09***
	(0.197)	(0.212)	(0.141)	(0.166)	(0.203)	(0.209)	(0.340)	(0.0297)
$SC_{it}$	-0.126	-0.154	0.261	0.250	0.318	0.295	2.849	1.312
	(0.337)	(0.335)	(0.323)	(0.326)	(0.339)	(0.341)	(12.76)	(1.115)
$g_{vait}$	-0.0307	-0.0311*	-0.0111	-0.0108	-0.0130	-0.0124	-0.39**	-0.364
	(0.0189)	(0.0188)	(0.0185)	(0.0185)	(0.0193)	(0.0194)	(0.200)	(1.742)
<b>C. Labor Force Indicators</b>								
$USK_{it}$	0.00456	0.00246	0.0339*	0.0327	0.0360*	0.0339	0.0896	-0.0325*
	(0.0217)	(0.0217)	(0.0200)	(0.0201)	(0.0211)	(0.0211)	(0.212)	(0.0186)
$SK_{it}$	0.0154	0.0156	0.0232	0.0248	0.0317	0.0313	0.416*	-0.039**
	(0.0223)	(0.0227)	(0.0212)	(0.0217)	(0.0223)	(0.0228)	(0.216)	(0.0189)
$HK_{it}$	0.000129	-0.00505	0.0127	0.00739	0.0295	0.0223	-0.231	-0.07***
	(0.0293)	(0.0295)	(0.0280)	(0.0284)	(0.0297)	(0.0300)	(0.236)	(0.0206)
$SL_{fit}$	-0.00833	-0.00878	0.00154	0.00142	-0.00410	-0.00437	0.275**	0.044***
	(0.0137)	(0.0137)	(0.0128)	(0.0128)	(0.0134)	(0.0134)	(0.138)	(0.0121)
<b>D. Exports and Diversification</b>								
$X_{it}$	-0.00553***	-0.00599***	-0.00321***	-0.0039***	-0.003***	-0.004***		
	(0.00101)	(0.00103)	(0.000979)	(0.000985)	(0.00103)	(0.00103)		
$TH_{it}$	-0.772		-0.741		-0.807			
	(0.724)		(0.683)		(0.738)			
$TH_{bit}$		-3.534**		-4.782***		-4.012**		
		(1.753)		(1.728)		(1.808)		
$TH_{Wit}$		-0.805		-0.722		-0.886		
		(0.761)		(0.729)		(0.777)		
<b>E. Other Indicator</b>								
$Trend$	-0.967***	-0.947***	-0.915***	-0.889***	-0.953***	-0.932***	3.320***	0.549***
	(0.0541)	(0.0545)	(0.0521)	(0.0523)	(0.0545)	(0.0547)	(0.566)	(0.0499)
$D_{CGit}$	2.293	2.447	10.74*	12.04*	10.03*	10.94*	299.8	35.38
	(4.798)	(4.800)	(5.809)	(6.169)	(6.066)	(6.342)	(6,045)	(578.0)
$D_{INGit}$	-0.610	-0.492	8.369	9.659	7.572	8.458	250.7	32.14
	(4.803)	(4.804)	(5.819)	(6.182)	(6.077)	(6.356)	(6,045)	(578.0)
$Cte$	2,057***	2,024***	1,925***	1,884***	2,004***	1,972***	-6,506	-1,091*
	(106.1)	(107.6)	(102.5)	(103.4)	(107.2)	(108.4)	(6,154)	(587.1)
<b>F. Estimated errors of M equation</b>								
$\hat{\epsilon}_{Mit}$	0.0279	0.00775	0.0732	0.0500	0.0739	0.0483	-0.0587	-0.0472**
	(0.0558)	(0.0562)	(0.0536)	(0.0543)	(0.0572)	(0.0575)	(0.241)	(0.0211)
$N$	417	417	393	393	393	393	417	417

Source: Table A1, author's work.

Table A5			
First Stage of Exogeneity Tests of Trade Barriers			
Indicators	$M_{it}$	$M_{it}$	$M_{it}$
<b>A. Market (Seller, Buyer and Geographic) Concentration and Barriers to Entry</b>			
$CI_{sit}$	-805.6 (495.5)	-624.6 (501.2)	-17.43*** (6.003)
$CI_{sit}-D_{CGit}$	781.0 (495.5)	602.6 (501.0)	
$CI_{sit}-D_{INGit}$	760.6 (495.6)	581.0 (501.3)	
$CI_{bit}$	-10.83 (8.184)	-14.11* (8.305)	-14.98** (6.899)
$CI_{bit}-D_{CGit}$	407.0*** (69.97)	393.7*** (69.98)	
$CI_{bit}-D_{INGit}$	68.93*** (17.30)	76.18*** (17.58)	
$CG_{it}$	2.725*** (0.299)	2.515*** (0.315)	2.056*** (0.329)
$k_{it}$	-0.114 (0.285)	-0.0106 (0.289)	0.106 (0.347)
$SC_{it}$	1.378 (1.115)	1.372 (1.110)	2.009 (1.309)
$g_{vait}$	-1.425 (6.659)	-1.524 (6.632)	-2.650 (8.273)
<b>B. Labor Force Indicators</b>			
$USK_{it}$	0.123* (0.0734)	0.122* (0.0731)	0.141 (0.0868)
$SK_{it}$	0.181** (0.0714)	0.194*** (0.0714)	0.122 (0.0885)
$HK_{it}$	0.384*** (0.0726)	0.390*** (0.0724)	0.446*** (0.0897)
$SL_{fit}$	0.0469 (0.0477)	0.0507 (0.0475)	0.0355 (0.0577)
<b>C. Exports and Diversification</b>			
$X_{it}$	0.00272 (0.00341)	0.000964 (0.00350)	
$TH_{it}$	11.59*** (1.342)		
$TH_{Bit}$		0.110 (5.734)	
$TH_{Wit}$		12.23*** (1.371)	
<b>D. Other Indicator</b>			
$Trend$	-3.543** (1.687)	-3.571** (1.680)	-3.629* (2.105)
$K_{it}$	0.0947*** (0.0265)	0.0845*** (0.0266)	0.0375 (0.0314)
$D_{CGit}$	-4.561 (14.91)	-4.878 (14.85)	31.49*** (8.579)
$D_{INGit}$	1.263 (14.92)	1.038 (14.86)	30.46*** (8.665)
$Cte$	6,777** (3,359)	6,852** (3,346)	6,994* (4,190)
$N$	417	417	417



Table A6								
Second Stage of Exogeneity Tests of Trade Barriers								
Indicators	$t_{it}$	$t_{it}$	$t_{it}^a$	$t_{it}^a$	$t_{it}^w$	$t_{it}^w$	$t_{nit}$	$t_{nit}^p$
<b>A. Import Penetration</b>								
$M_{it}$	0.110*	0.116**	0.0433	0.0530	0.0676	0.0749	0.755	0.687
	(0.0621)	(0.0592)	(0.0585)	(0.0563)	(0.0611)	(0.0589)	(0.516)	(0.511)
<b>B. Market (Seller, Buyer and Geographic) Concentration and Barriers to Entry</b>								
$CI_{sit}$	0.573	0.937	1.856	2.699	1.799	2.375	0.776***	0.774***
	(1.570)	(1.551)	(1.644)	(1.719)	(1.714)	(1.776)	(0.173)	(0.171)
$CI_{sit-D_{CGit}}$	-0.423	-0.782	-1.727	-2.562	-1.661	-2.232		
	(1.564)	(1.547)	(1.639)	(1.716)	(1.710)	(1.772)		
$CI_{sit-D_{INGit}}$	-0.557	-0.919	-1.895	-2.734	-1.831	-2.404		
	(1.563)	(1.547)	(1.639)	(1.716)	(1.709)	(1.772)		
$CI_{bit}$	-0.105***	-0.109***	-0.109***	-0.116***	-0.113***	-0.117***	0.212	0.264
	(0.0237)	(0.0246)	(0.0219)	(0.0228)	(0.0228)	(0.0238)	(0.163)	(0.162)
$CI_{bit-D_{CGit}}$	-1.401***	-1.447***	-1.104***	-1.171***	-1.189***	-1.236***		
	(0.329)	(0.311)	(0.300)	(0.286)	(0.314)	(0.299)		
$CI_{bit-D_{INGit}}$	-0.0534	-0.0470	0.0952	0.105	0.0498	0.0555		
	(0.0650)	(0.0678)	(0.0649)	(0.0676)	(0.0677)	(0.0707)		
$CG_{it}$	-0.305	-0.351**	-0.135	-0.210	-0.219	-0.269	-5.608***	-4.887***
	(0.191)	(0.174)	(0.181)	(0.165)	(0.189)	(0.172)	(1.378)	(1.365)
$k_{it}$	-0.400**	-0.399*	-0.315*	-0.310*	-0.486**	-0.490**	-0.429	-0.331
	(0.197)	(0.203)	(0.163)	(0.175)	(0.202)	(0.202)	(0.406)	(0.403)
$SC_{it}$	-0.254	-0.262	0.120	0.132	0.151	0.160	2.035	6.032
	(0.340)	(0.336)	(0.326)	(0.327)	(0.341)	(0.342)	(12.61)	(12.49)
$g_{vait}$	-2.836	-2.886	-0.544	-0.525	-0.616	-0.606	-36.43*	-36.54*
	(1.894)	(1.885)	(1.881)	(1.869)	(1.965)	(1.957)	(19.98)	(19.80)
<b>C. Labor Force Indicators</b>								
$USK_{it}$	-0.00500	-0.00599	0.0240	0.0234	0.0239	0.0233	0.316	0.373*
	(0.0219)	(0.0218)	(0.0203)	(0.0202)	(0.0212)	(0.0211)	(0.221)	(0.219)
$SK_{it}$	0.00102	0.00174	0.00670	0.00849	0.0118	0.0127	-0.00469	0.0571
	(0.0229)	(0.0232)	(0.0218)	(0.0221)	(0.0228)	(0.0232)	(0.217)	(0.215)
$HK_{it}$	-0.0308	-0.0331	-0.0220	-0.0250	-0.0121	-0.0145	-0.593*	-0.562*
	(0.0316)	(0.0310)	(0.0301)	(0.0297)	(0.0315)	(0.0311)	(0.303)	(0.300)
$SL_{fit}$	-0.0131	-0.0132	-0.00176	-0.00177	-0.00794	-0.00798	0.227	0.225
	(0.0138)	(0.0138)	(0.0129)	(0.0128)	(0.0134)	(0.0134)	(0.140)	(0.139)
<b>D. Exports and Diversification</b>								
$X_{it}$	-0.006***	-0.006***	-0.004***	-0.004***	-0.004***	-0.004***		
	(0.00103)	(0.00103)	(0.00100)	(0.000992)	(0.00105)	(0.00104)		
$TH_{it}$	-1.677**		-1.720**		-1.990**			
	(0.807)		(0.761)		(0.795)			
$TH_{Bit}$		-3.447**		-4.715***		-3.932**		
		(1.753)		(1.735)		(1.812)		
$TH_{Wit}$		-1.662**		-1.681**		-1.980**		
		(0.821)		(0.782)		(0.818)		
<b>E. Other Indicator</b>								
$Trend$	-0.950***	-0.936***	-0.898***	-0.879***	-0.932***	-0.921***	3.168***	3.244***
	(0.0547)	(0.0545)	(0.0525)	(0.0523)	(0.0549)	(0.0547)	(0.568)	(0.563)
$D_{CGit}$	2.561	2.742	10.93*	12.42**	10.27*	11.36*	262.1	313.7
	(4.800)	(4.802)	(5.820)	(6.228)	(6.077)	(6.403)	(5,071)	(4,604)
$D_{INGit}$	-0.708	-0.541	8.241	9.727	7.444	8.533	213.3	265.1
	(4.803)	(4.805)	(5.826)	(6.237)	(6.085)	(6.413)	(5,071)	(4,604)
$Cte$	2,045***	2,022***	1,915***	1,884***	1,993***	1,973***	-5,979	-6,259
	(106.3)	(107.4)	(102.7)	(103.4)	(107.3)	(108.3)	(5,208)	(4,753)
<b>F. Estimated errors of M equation</b>								
$\hat{e}_{Mit}$	-0.0569	-0.0681	-0.0202	-0.0357	-0.0373	-0.0490	-0.989*	-0.899*
	(0.0639)	(0.0611)	(0.0603)	(0.0582)	(0.0629)	(0.0609)	(0.532)	(0.527)
$N$	417	417	393	393	393	393	417	417

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