

# Trade Liberalisation and Child Wellbeing: Potential Impacts of the Peru-US Free Trade Agreement

## INTRODUCTION

Following the lead of Latin American countries such as Mexico and Chile, Peru signed a Free Trade Agreement (FTA) with the United States in December 2005. While most economic analysis points towards overall benefits for Peru, there are concerns regarding potential adverse consequences. In order to derive maximum benefits with minimum losses, it is vital to identify appropriate mechanisms to support short-term losers – especially children from poor families – and to develop medium-term strategies to promote more equitable distribution of benefits.

Trade liberalisation's potential to promote national economic growth is internationally acknowledged. It can help countries to exploit their comparative advantage in the production of regionally specific goods and take advantage of larger markets for products that have limited local demand. Liberalisation may also generate economies of scale, increase efficiency and lower production costs. Countries can remain competitive – against a background of proliferating multilateral and bilateral trade agreements – by gaining the same access to large trading partners as their regional competitors.

Bilateral trade agreements ensure countries' special access to specific trade partners in exchange for greater liberalisation of tariff and non-tariff barriers and adherence to stricter regulations than those found in the international trade framework shaped by the World Trade Organisation (WTO). Bilateral negotiations are generally driven by the richer trading partner and pay little heed to concerns raised by the weaker partner about potential impacts on certain economic sectors and population groups.

Young Lives (YL) – a longitudinal childhood poverty project being implemented in Ethiopia, India, Peru and Vietnam – is researching the mechanisms by which trade affects children. This work aims to fill an important lacuna in trade impact analyses. Findings are being used to identify possible policies and programmes that can better mitigate the negative impacts of trade liberalisation on poor families with children.

There is an additional dimension that needs to be tackled in order to improve schooling indicators. While the general focus has been on supply of educational services, not much attention has been paid to out-of-school factors that influence the demand for schooling. This is a concern which the Young Lives Project – a 15-year longitudinal policy-research project in four countries (Ethiopia, India (Andhra Pradesh), Peru and Vietnam) which aims to reveal the links between international and national policies and children's day-to-day lives, with the objective of influencing national policies to improve the wellbeing of children living in poverty – seeks to emphasise.

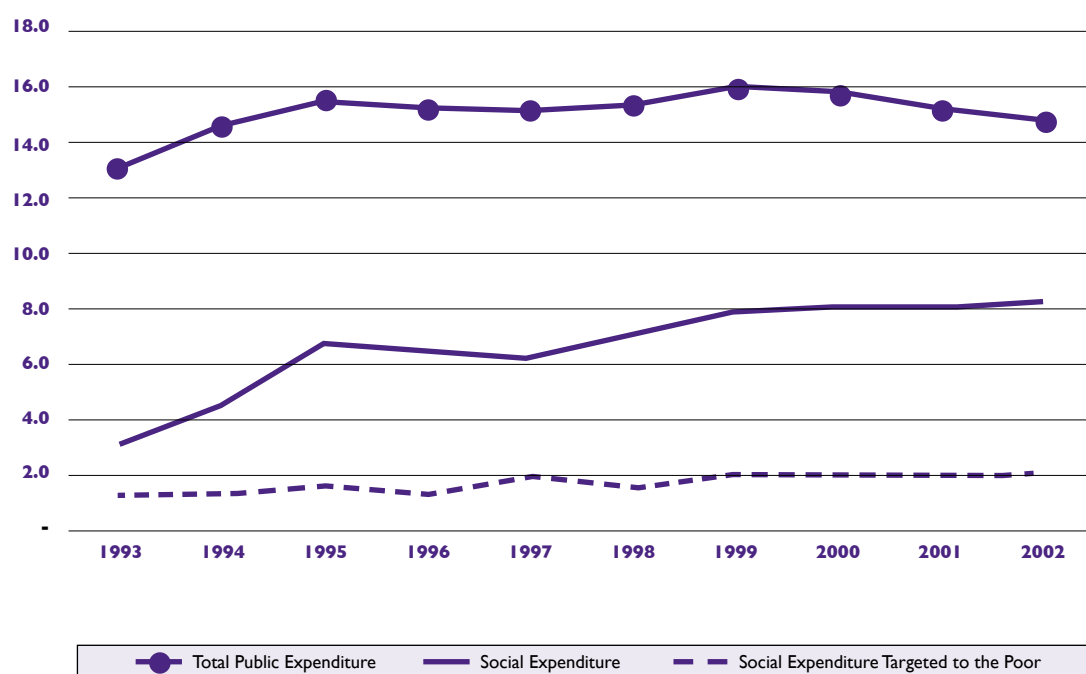
Achieving UPE will necessitate not only sustaining and improving current policies in the education sector but also identifying complementary policy interventions to address the range of external causes for insufficient school enrolment.

## PERU'S FTA DEBATE

Discussions regarding the FTA with the US have focused on forecasting its potential impacts on national GDP, consumer spending, investment trends, exports and imports – and therefore the balance of trade – as well as effects on employment markets. There are concerns about the FTA's impact on household demand if the average prices of basic commodities such as wheat should drop. The effect on households would depend on whether they are net consumers of goods for which prices have dropped (positive) or net producers of them (negative). Projections undertaken by the government, economic think-tanks and YL analysts suggest a positive impact on growth and on the country's macroeconomic stability in the medium to long term. However, YL's research points out that short-term impacts are expected to be mixed, varying across sectors and by region. In particular, two expected changes – in the agriculture sector and in social services provision – are likely to have negative impacts on poor households and their children.

If the opening of the Peruvian market to subsidised American agricultural products reduces the incomes of rural small-holders, large numbers of poor children in farming households could be affected. YL research suggests that short-term welfare losses are likely to be concentrated in rural areas, especially in highland and jungle regions. Discussions between the Peruvian government and farmers' lobby groups has focused mainly on compensation schemes for particular crops that may be the most affected by sudden tariff reductions. These discussions have not always given a central role to the majority of small-scale farmers from the poorer highland and jungle regions. Little attention has been given to raising competitiveness in rural areas and even less to lessening the non-economic vulnerabilities of rural households.

Figure 1: Social Expenditure (as percentage of GDP)



Source: Ministry of Economics and Finance, in Escobal and Ponce (2005: 8)

With regard to social services, a key concern is that decreased revenue from the reduction in tariffs could result in reduced government spending. In particular, international evidence points to a trend in under-investment in basic social services even in countries with robust economic growth, like those in South Asia and Latin America. Growth per se will not necessarily reduce a country's prevailing inequalities or reduce poverty in the absence of pro-poor government interventions. As we can see in Figure 1, even though social expenditure in Peru increased from three per cent to eight per cent of GDP from 1997 to 2002, social expenditure targeted to the poor (which includes expenditure for the Social Development Cooperation Fund (FONCODES), basic health care and family planning programmes, education in rural areas, expenditures on agriculture, rural roads and food security programmes) remained below two per cent. In Peru public social services (education and health) are primarily used by the poor as better-off households tend to rely on superior private services. There is therefore concern about the potential impact on poor households if there is a decline in revenue and funding for government services.

### **Box 1: Impacts of trade liberalisation on Peru's health sector**

*There has been much speculation on how FTA-induced stricter intellectual property rights will affect the price of, and access to medicines, especially for the poor. The FTA lays out a more comprehensive protection scheme for intellectual property rights than the 20-year protection period granted to patents within the WTO framework. The FTA would also prohibit parallel imports, which are currently allowed under Andean Community Decision 486. However, compulsory licenses and parallel imports are likely to be allowed in circumstances of extreme urgency and national emergency. Although the US negotiators pushed for the FTA to include patents on second uses of medications for therapeutic, surgery and diagnostic purposes, Peru succeeded in not having these included. The overall outcome of the negotiation raises concerns that the monopoly position of large pharmaceutical companies is likely to be enhanced and impediments placed on the entry of cheaper medicines into the Peruvian market.*

*Two NGOs, Foro-Salud and Accion Internacional por la Salud, opposed the FTA, pointing out the likely restrictive impact of the US agenda and calling for pro-poor interventions. Having failed to change the terms of negotiation in the health sector (except for the clause for extreme urgency and national emergency), these agencies have been disseminating information about the potential negative repercussions of the agreed terms and encouraging citizens to voice their opposition.*

*The Peruvian government and other analysts argue that 98 per cent of medicines sold in Peru are already generic – with expired patents and thus with prices immune to the effects of new intellectual property regulations. However, Paul Hunt, the UN Special Rapporteur on the Right to Health, has expressed concern that the FTA's tightening of existing WTO patent regulation could potentially reduce the ability of the government to act to guarantee Peruvians' right to health care. He has recommended that patent regulation should incorporate safeguards recognising the government's right and duty to protect the health and lives of its citizens.*

*Some FTA supporters estimate that the increase in costs to consumers from having less generic medication in the market would be offset by the availability of cheaper imported drugs as a result of tariff reductions. Other studies argue that this reduction in prices will be insufficient to offset the adverse impact of the FTA on the average cost of medication, particularly for expensive last-generation drugs, including those needed by HIV/AIDS patients.*

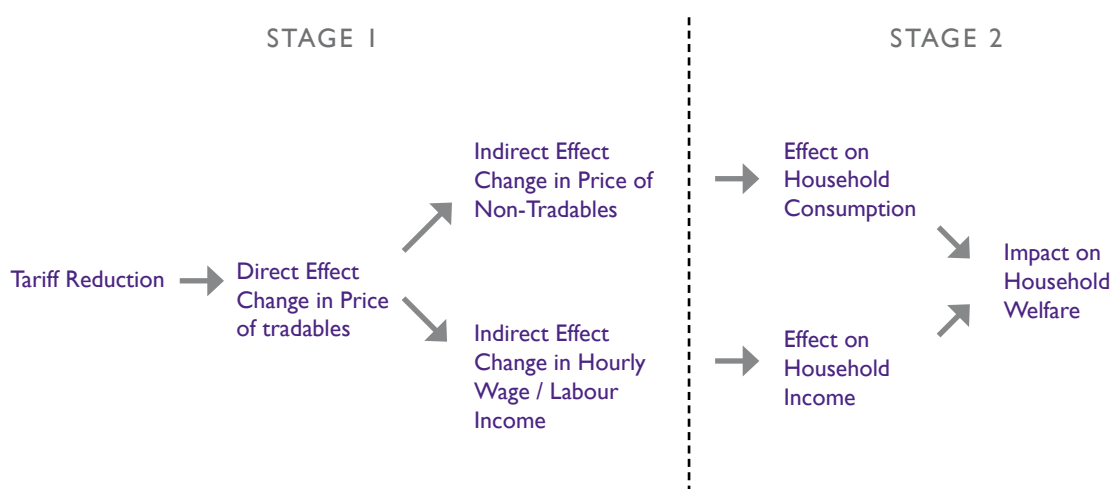
*Further, Foro Salud has questioned the feasibility of the central government's commitment to provide expensive drugs at subsidised prices for the Ministry of Health to redistribute to poor families. Their fears are based on the declining health sector budget – down from 6.5 per cent of total public expenditure in 2005 to a projected 5.8 per cent in 2006.*

*Given the outcome of negotiations, it is important to hold the government accountable to its commitments to equity, ensuring that they ensure affordable prices for medicines that the most marginalised Peruvian households require. Specific emphasis must be given to medicines most needed by children.*

## IMPACTS OF TRADE LIBERALISATION ON CHILDHOOD POVERTY

Trade liberalisation may affect child welfare through different channels. The most obvious is the impact on child labour; but there may also be welfare effects stemming from changes in children's ability to access basic goods, food, health or educational services.

Figure 2: Short-term effects on child wellbeing: Transmission channels



Source: Escobal and Ponce (2005: 16)

Figure 2 shows the two transmission mechanisms analysed by Escobal and Ponce (2005) when estimating potential welfare impacts of the FTA with the US. Stage 1 traces the impact of trade liberalisation on domestic prices. Given that Peru is a small open economy, trade liberalisation has a direct effect on prices of tradable goods. Once the domestic market is opened to international competition, domestic prices of tradable goods are determined by prevailing international prices. The price changes of products traded internationally may in turn induce changes in prices of non-tradable goods sold in local markets as well as in wages and self-employed labour income. Stage 2 charts the effects that these price and labour income changes have on both household consumption and total income (and thus, on household welfare). It is worth noting that these changes in relative prices in the economy might induce a reallocation of spending on different goods, with potential effects on child-focused consumption of goods and services.

When exploring potential consequences of the FTA on children's welfare, it should be noted that poor households, especially in rural areas, may be compelled to reallocate children's time away from school and towards work to offset any reduction in household income. However, children living in households whose income is positively affected by the FTA may enjoy an increase in spending on goods and services directed towards improving child wellbeing (e.g. investing in better quality education). Girls may be compelled to shoulder more domestic and childcare responsibilities if improved income opportunities lead to a change in time allocation within the household.

## THE FTA'S POTENTIAL HIDDEN IMPACT ON CHILDREN: YL RESEARCH FINDINGS

YL's investigation of trade liberalisation in Peru has focused on the FTA's potential short-term welfare impacts on children in order to raise some issues that may help the government to plan for interventions directed towards improving or at least preventing potential negative shocks on child wellbeing.

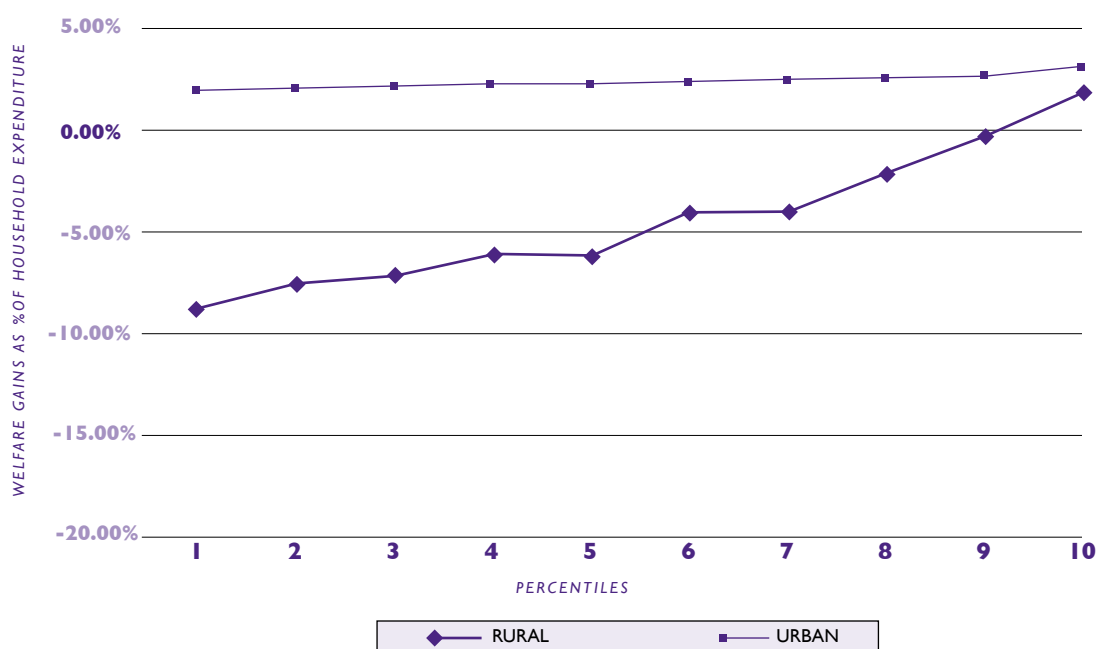
## a. Welfare losses and gains

In the medium to long term it is expected that growth brought about by trade liberalisation will increase wages and provide households with higher income that may be used to improve child welfare. However, in the short term some Peruvian households, especially those in rural areas, are likely to be negatively affected by the FTA. Incomes of households involved in the production of tradable goods are likely to fall with the introduction of US imports. As a result, poorer households may be compelled to look for complementary sources of income and reallocate family members' time, possibly involving child labour, reduced school attendance or performance and, in some cases, even exposing them to hazardous environments. The extent of the impact will depend on: i) the magnitude of the changes in the opportunity cost of children's time; ii) the costs (direct and indirect) of education; iii) the relative prices of goods that households consume and produce and iv) households' expectations of the rate of return to children's education.

## b. Differential impacts across households

Based on an econometric model designed to estimate household welfare gains and losses according to the transmission channels outlined above, and assuming a sudden elimination of US imports tariffs, YL results found that the total short-term welfare gain of the FTA in Peru would be approximately \$417 million. However, welfare gains and losses would be unevenly distributed within the country: while urban households would gain an aggregate \$575 million, rural households are likely to suffer a welfare loss of \$158 million. The urban coastal area and the capital city, Lima, stand to enjoy the greatest welfare gains while rural highland and jungle communities are expected to suffer most. The FTA will thus exacerbate the already stark inequalities between urban and rural areas and socio-economic groups.

Figure 3: Welfare effects in rural and urban areas



Source: Escobal and Ponce (2005: 18)

Figure 3 shows that urban Peruvians will enjoy, on average, a welfare gain equivalent to two per cent of their household expenditure, with no significant differences in the distribution. However, differences in rural Peru are much more striking: while the richest rural decile may have a welfare gain equivalent to approximately two per cent of household expenditure, the poorest decile stands to lose significantly – a loss equivalent to almost nine per cent of household expenditure – as a result of a likely abrupt reduction in import tariffs. YL simulations sug-

gest that the most important loss to rural households would occur through the negative impact on agricultural self-employment. By contrast, non-agricultural activities show a significant positive impact from trade liberalisation. As for urban households, wage employment sources of income are not significantly affected, whereas self-employment sources show a negative impact. Contrary to what happens with rural households, urban households' gain from cheaper consumption goods outweighs the slightly negative effects derived from changes in labour income.

Interestingly, YL analysis shows that urban households with no children stand to gain more from trade liberalisation than households with children, whereas in rural areas, households with children are expected to face lower welfare losses than their childless counterparts. This may be explained by the hypothesis that children in rural areas are perceived as important sources of labour and can help offset vulnerability to household and community-level economic shocks.

### c. Shocks and their effect on education

In Peru, evidence shows that macroeconomic shocks leading to drops in household income, have an impact on the quality rather than quantity of children's education. Peru's public school system has fared poorly in international evaluations. Even impoverished families seek to enrol their children in private schools whenever possible because of the differences in quality. Faced with falling household income, parents may not withdraw children from school but move them from private to public schools or spend less on exercise books, textbooks or uniforms. YL research additionally shows that shocks may generate a number of indirect responses that may negatively affect enrolment rates. For instance, girls may be withdrawn from school to look after their younger siblings if new economic prospects increase the opportunity cost of their mother's time at home.

According to the Peruvian National Institute of Statistics, work is reported as the main reason for children leaving school after completing primary education. In this sense, the FTA may also affect children's education through a possible rise in drop-out rates as children completing primary school may be pressurised into starting work as the demand for unskilled labour increases.

### d. Women's employment and indirect impacts on children

Increased female labour participation may have important effects on child welfare, especially for girls. This may be a consequence of a) new access to labour opportunities (e.g. in agriculture, manufacturing or services); b) pressures for women to take up paid employment to compensate for household income losses stemming from the adverse effects of the FTA on wages or dips in the prices of agricultural products or c) increased male labour migration which increases workloads for women and children left behind. If women are forced to increase labour participation and if there is a lack of accessible childcare facilities, children might be pushed to allocate greater time to caring for siblings, which may in turn negatively affect their development. This could be a consequence of lower schooling or lack of adult supervision around the household with potentially damaging repercussions for child health and safety. In addition, as Winters points out. "... increasing workloads of women have led to a decline in breast feeding and worsening child care practices and food insecurity has been intensified".

### e. Child labour

According to official statistics around two million Peruvian children – 28.6 per cent of those between the age of six and 17 – work for a wage or non-monetary compensation. Of these, 54 per cent are boys and 46 per cent girls. Ninety per cent work in the informal sector for more than 45 hours per week and 90 per cent receive less than the minimum wage. Because boys are more likely to be employed in sectors producing tradable goods than girls, child work for boys could be more stimulated as a result of increased trade liberalisation. This is illustrated by the figures in Tables 1 and 2. These figures, however, conceal another important dimension of child work – unpaid activities carried out to support the household, either on family fields, in small businesses or in domestic work and care for siblings. Evidence from other countries suggests that domestic and caring work is more likely to be shouldered by girls.

**Table 1: Children between 6-13 according to main occupation - Peru 2001**

Occupation	Total	Urban	Rural
TOTAL CHILDREN (in thousands)	1,219,473	226,932	992,541
Helped in agriculture activities or animal husbandry	81.0	32.7	92.1
Helped in the household business	11.0	43.1	3.6
Helped other households	3.7	10.0	2.2
Helped producing goods for self-consumption	2.0	5.9	1.1
Street vending	1.9	6.8	0.8
Bulk carriers, brickmakers and other occupations	0.4	1.6	0.1

Source: INEI (2002), quoted by Escobal and Ponce (2005:10)

**Table 2: Children between 14-17 according to main occupation and gender - Peru 2001**

Occupation	Total	Boys	Girls
TOTAL CHILDREN (in thousands)	767,692	428,593	339,099
Farm labourers	48.7	56.0	39.5
Wholesalers, newspaper vendors, selling at markets	11.6	8.0	16.0
Housemaids, house keepers	8.6	0.9	18.3
Weavers, spinners, brickmakers, bakers, mechanics assistants	7.0	9.0	4.4
Other occupations	6.6	9.1	3.3
Assistants	4.5	4.6	4.4
Launderer, cleaner	3.9	2.5	5.7
Street vendors	3.7	3.3	4.2
Cook, waiter / waitress	2.3	1.4	3.6
Construction labourers	1.1	1.9	0.2
Bus fee collectors	1.0	1.8	0.1
Bulk carriers, brick makers and other occupations	0.9	1.6	0.0

Source: INEI (2002), quoted by Escobal and Ponce (2005:10)

It should be noted that child work tends to be under-reported in Peruvian official statistics because it is illegal for children under 14 years old. International evidence shows that as trade liberalisation takes root there have been growing attempts to ban child labour through the introduction of harmonised international standards and unilateral trade sanctions. However, lessons from international experience show that such sanctions could have unintended effects. In the case of Bangladesh, for example, export-oriented garment factories significantly reduced the child labour they employed under the threat of trade sanctions. The consequences for children displaced from relatively safe workplaces and their family income were often very negative. Instead of returning to school, many took up hazardous work in such trades as leatherwork and brick-making. Others turned to begging, domestic service and even prostitution to survive. Thus, introducing trade sanctions without adequately targeting the root causes of child labour or introducing appropriate alternatives for households dependent on children's incomes can drive vulnerable families into greater poverty. Children can be forced to work in less controlled or even clandestine jobs, putting their physical and psychological health at risk.

## POLICY CHALLENGES

The impact of the Peru/US FTA on different segments of the Peruvian population is likely to be mixed. Differential urban/rural, poor/better-off and regional impacts require differentiated policy solutions to compensate for the potentially negative impacts of trade liberalisation as well as to harness its positive potential.

The need for the government to commit to improving the working and living conditions of poor Peruvians is even more pressing as a result of the FTA. The state has an opportunity to ensure that the trade agreement serves to mitigate rather than intensify Peru's existing socio-economic inequalities. Ensuring that the potential growth derived from the FTA is pro-poor and equitable is vital if Peruvian children currently facing poverty and disadvantage are to lead healthier and more fulfilled lives.

YL's research on the ways in which increased trade liberalisation with the US can potentially influence child wellbeing highlights the following challenges for policy makers: a) more gradual phased implementation of the FTA, b) ensuring adequate and sustainable funding for basic social services, c) compensating for short-term losses of children living in agricultural households, and d) child-focused social protection policies.

### *Improved phasing of the implementation of the FTA*

- YL research suggests that the distributional differences in the welfare impact of the FTA in Peru would be less had there been agreement to reduce tariffs more gradually on some key sectors instead of moving to a much faster liberalisation. While negotiations led to agreement on phasing out some tariffs, this did not apply to all 'sensitive products', particularly those produced by the poorest farmers located in the highland and jungle regions where a disproportionate number of poor Peruvians live. As a result, some poor households that are dependent on such 'sensitive products' are more likely to be exposed to severe short-term shocks unless adequate mitigatory interventions are introduced in the immediate future. A liberalisation process planned with an optimal timeframe and appropriate sector policies would have allowed producers, especially smaller ones, to slowly switch to sectors where they could be more competitive.

Given a lack of adequate phasing, a pressing policy concern is that affected producers / regions likely to face immediate shocks should be identified and short-term safety net mechanisms devised. These could involve cash transfers that stabilise poorer farmers' incomes as they shift to new, more productive activities. The government is currently considering this possibility. However there is a risk that such mechanisms could be captured by better-off, politically-influential farmers. Even if measures are adequately targeted, there is concern that payments would be irregular in view of the low funding provided to agricultural support. They are therefore unlikely to reduce the vulnerability of affected households.

### *Ensuring adequate and sustainable funding for basic social services*

- Given the state's responsibility to promote children and young people's wellbeing, as well as to take measures to reduce inequities in access to basic services, an important challenge facing the government is how best to increase social spending despite projected short-term revenue shortfalls as a result of reduced tariff incomes. There are multiple competing sectors that require public support and with the onset of the FTA there is likely to be a focus on promoting export capacity. Nevertheless, if the state is to fulfil its commitment to reducing inequities and promoting human capital accumulation, an increase rather than cuts in social expenditure is essential.
- In view of international evidence that social spending has not been pro-cyclical (i.e. rising at the same pace as national economic growth), YL research highlights that the challenge facing the Peruvian government is to not only a) increase funding for targeted and child-focused social policies and programmes to compensate households most likely to be negatively impacted by the FTA but b) also to ensure that social spending increases at least at a similar rate to economic growth.
- A particular policy area where improved public funding might counteract incentives for children to leave school and start work is that of education quality. Evidence from developing countries shows that poor educational quality is likely to negatively impact enrolment. In the case of Peru, policies to improve the quality of education – more qualified teachers in under-staffed schools, improved curricula and increased availability and relevance of educational materials – would increase children's motivation to stay in school and at least partially offset pressures to leave school for paid or unpaid work.
- Improved school quality can increase the chances that after they leave school children and young adults will have greater knowledge and skills, enabling them to take on the more highly-skilled employment expected to result from Peru's economic liberalisation.



- Given the evidence that the impact of the FTA on agriculture will vary among regions and among types of crops produced, the policy challenge is to reduce the immediate vulnerability of small-holder farmers producing less competitive crops and to facilitate new livelihood options. This may include promoting crop diversification, especially into exportable crops. Interventions to compensate farmers' short-term losses must, however, be properly targeted to avoid producers' and households' continued engagement in activities such as maize and cotton cultivation which may not be economically sustainable in the long term. It will therefore be important to develop corrective mechanisms which are not tied to the production of any particular crop or livestock, but which offer income support to affected households, particularly likely to be concentrated in highland and jungle regions
- The positive impacts of the FTA on the Peruvian economy are likely to increase as more sectors liberalise. It is therefore essential to maintain a medium to long-term outlook that acknowledges the real challenges for the agricultural sector and not only promotes crops with significant export potential – mainly those produced in coastal regions – but also raises competitiveness and encourages diversification in the highland and jungle regions where a disproportionate number of poor Peruvians live. In these marginalised areas the challenge for public policy will be to develop schemes that focus on providing public services (access and information on pesticides to promote healthy crops, improved access to veterinary services, training in new farming techniques, information about prices and markets) to promote competitiveness. Increased investment in irrigation is also a priority. In addition, expanded and improved infrastructure – roads, telecommunications and electricity – could enhance the efficiency of agriculture marketing, thus reducing the dependence of small-holder farmers on the monopsonistic power of intermediaries
- It is also key to increase the income diversification options for these farmers allowing them to engage in non-agricultural rural activities.
- As international evidence suggests that trade liberalisation may lead to greater demand for unskilled labour, including children's, it is imperative that children's working conditions are effectively monitored and regulated. While it may be unrealistic to eliminate child labour in the short to medium term, the authorities must act to enforce minimum standards which protect children from exploitative and dangerous work activities.

### *Child Focused Social Protection Policies*

- Evidence from Mexico suggests that trade liberalisation (through the North America Free Trade Agreement - NAFTA) may not lead to increased child labour if policies are simultaneously implemented to compensate households for short-run losses.
- Conditional cash transfers, such as the Mexican Progresa / Oportunidades programme – in which cash payouts to mothers increase with the age of the child in order to compensate the household for the increasing opportunity cost of schooling – have succeeded in reducing children's entry into the workforce. Oportunidades also promotes gender equality by providing a larger cash payment to girls than to boys if they remain in school. Evaluations suggest that these types of programmes are an effective way to keep children in school.

In September 2005 Peru launched a similar type of conditional cash transfer programme to promote child health, education and nutrition and to reduce child labour. Juntos (Together) is a scheme to provide households with cash incentives to ensure that children remain in school. It is initially being implemented in 110 districts in Ayacucho, Apurímac, Huánuco and Huancavelica, ranked amongst the eight poorest states in the country. If the programme is properly managed and the localities and communities targeted include those potentially affected by the FTA, this programme could help reduce vulnerabilities exacerbated by trade liberalisation.

- An additional challenge will be supporting women's opportunities to participate in the labour market by providing more accessible and affordable childcare facilities, especially in rural areas. Such programmes are likely to improve girls' schooling opportunities by freeing them from having to shoulder the childcare burden for younger siblings. Currently, even in the case of women working in the formal sector in urban areas, very few organisations provide creches. Most childcare is based on social networks of either family or friends. There is, however, a publicly funded and largely community-based day-care service programme, Wawa Wasi, which is a good example of a programme that could be scaled up. There are approximately 4,700 Wawa Wasi centres, with the capacity to care for over 40,000 children aged four or under. While a significant improvement, starting from only 12,000 children in 1999, it is far from adequate to reach a target population of nearly two million children under the age of four living in poverty.

- <sup>1</sup> This brief draws heavily on: Escobal, J. and Ponce, C. (2005) *Trade Liberalisation and Child Welfare: Assessing the Impact of an FTA between Peru and United States*, Report commissioned by Save the Children, UK. Mimeo; Lima but is also complemented by additional secondary sources.
- <sup>2</sup> For details on the agreement and related information, see the official FTA website: <http://www.tlcperu-eeuu.gob.pe/index.php>
- <sup>3</sup> Escobal, J. and C. Ponce (2005) *Trade Liberalisation and Child Welfare: Assessing the Impact of an FTA between Peru and United States*, Report commissioned by Save the Children, UK. Mimeo; Lima.
- <sup>4</sup> Vandemoortele, J. (2000) *Absorbing social shocks, protecting children and reducing poverty: the role of basic social services*, Evaluation, Policy and Planning Series; Number EPP-00-001. UNICEF Staff Working Papers. UNICEF. New York, N.Y.
- <sup>5</sup> The outcomes of this negotiation are still uncertain. While the FTA's "side letter" on public health should legally give sufficient assurance about the U.S' flexibility to protect public health, in practice there are multiple inadequacies in the proposed side letter including a language that is neither clarifying nor enforceable ([http://www.bilaterals.org/article.php?id\\_article=3711](http://www.bilaterals.org/article.php?id_article=3711)).
- <sup>6</sup> To access the FTA chapters, see: <http://www.tlcperu-eeuu.gob.pe/index.php?ncategoria1=209&ncategoria2=210>
- <sup>7</sup> [www.forosalud.org.pe/TLCref.asp](http://www.forosalud.org.pe/TLCref.asp)
- <sup>8</sup> [www.aislac.org](http://www.aislac.org)
- <sup>9</sup> For a brief analysis on the FTA with US by Accion Internacional Para La Salud see [www.aislac.org/noticias/2006/noticias\\_3.htm](http://www.aislac.org/noticias/2006/noticias_3.htm)
- <sup>10</sup> Seinfeld, J. and K. La Serna (2005) *¿Por qué la Protección de los Datos de Prueba en el mercado farmacéutico no debe ser un impedimento para firmar el TLC con los EEUU?* Instituto Peruano de Economía, Lima.
- <sup>11</sup> Ministerio de Comercio Exterior y Turismo (2005), Preguntas y Respuestas sobre el TLC Perú-Estados Unidos; [www.aprodeh.org.pe/tlc/documentos/preg\\_respTLC.pdf](http://www.aprodeh.org.pe/tlc/documentos/preg_respTLC.pdf)
- <sup>12</sup> United Nations Special Rapporteur on the Right to Health (2005); Negociaciones entre los Estados Unidos de America y el Peru sobre un Acuerdo de Libre Comercio; UN Press Release, 13 July, 2005 [www.unhcr.ch/hurricane/hurricane.nsf/0/76CC48AEDA213D5CC125703D0039BB75?opendocument](http://www.unhcr.ch/hurricane/hurricane.nsf/0/76CC48AEDA213D5CC125703D0039BB75?opendocument)
- <sup>13</sup> Valladares, G. (2005) *Evaluación de los Potenciales Efectos Sobre Acceso a Medicamentos del Tratado de Libre Comercio que se Negocia con los Estados Unidos de América*, Ministerio de Salud, Lima. Available at: [http://www.minsa.gob.pe/portal/Especiales/TLC-MINSA/EstudioTLCSalud\\_ResumenEjecutivo.pdf](http://www.minsa.gob.pe/portal/Especiales/TLC-MINSA/EstudioTLCSalud_ResumenEjecutivo.pdf)
- <sup>14</sup> Portocarrero, A. (2005) *Análisis del Presupuesto del Sector Salud 2006*, Consorcio de Investigación Económica y Social (CIES), Observatorio del Derecho a la Salud, Lima, 2005 [http://www.consortio.org/observatorio/bol\\_obs/OBS3/obs3.asp](http://www.consortio.org/observatorio/bol_obs/OBS3/obs3.asp)
- <sup>15</sup> The FTA has been negotiated as a gradual liberalisation of trade restrictions on key traded items, so these figures overestimate (underestimate) the welfare loss (gain), so they serve only as an upper (lower) bound for welfare loss (gain).
- <sup>16</sup> Edmonds, E.V. and Pavcnik, N. (2005). 'Trade liberalization and the allocation of labor between households and markets in a poor country', *Journal of International Economics*, In Press, Corrected Proof.
- <sup>17</sup> Escobal, J. and C. Ponce (2005). *Trade Liberalization and Child Welfare: Assessing the Impact of an FTA between Peru and United States*, Report commissioned by Save the Children, UK. Mimeo; Lima.
- <sup>18</sup> See results from the Programme for International Student Assessment (PISA), <http://www.pisa.oecd.org>

- <sup>19</sup> GRADE (2001), 'Las Familias y el Financiamiento de la Educación Pública en el Perú', *Análisis & Propuestas*; July 2001; <http://www.grade.org.pe/boletin/04/art01.htm>
- <sup>20</sup> Escobal, J., Saavedra, J., and Suárez, P. (2005) *Economic Shocks and Changes in School Attendance Levels and Education Expenditure in Peru*, Working Paper No. 13. Young Lives: An International Study of Childhood Poverty. Save the Children UK. London.
- <sup>21</sup> National Statistical Institute and International Labour Organisation (2002), *Vision del Trabajo Infantil y Adolescente en Peru, 2001*; Report available at [www.oit.org.pe/ipec/tid/docs/la\\_ninez\\_en\\_el\\_peru.pdf](http://www.oit.org.pe/ipec/tid/docs/la_ninez_en_el_peru.pdf)
- <sup>22</sup> See, for example Watkins, K. (1997). *Globalisation and Liberalisation: - Implications for Poverty, Distribution and Inequality*. UNDP Occasional Paper, 32.
- <sup>23</sup> Winters, L.A., McCulloch, N. and McKay, A. (2004) 'Trade Liberalization and poverty: The evidence so far', *Journal of Economic Literature*, XLII, 72-115. p. 91.
- <sup>24</sup> INEI. (2002). *Visión del Trabajo Infantil y Adolescente en el Perú*, Instituto Nacional de Estadística e Informática, Lima.
- <sup>25</sup> Woldehanna, T., Mekonnen, A., Jones, N., Tefera, B., Seager, J., Alemu, T. and Asgedom, G. (2005) Education Choices in Ethiopia: What determines whether poor households send their children to school?; Young Lives Working Paper No. 15, and Ilahi, N. (2001). Children's work and schooling: Does gender Matter? Evidence from the Peru LSMS Panel Data. Paper for the Policy Research Report on Gender-World Bank. <http://siteresources.worldbank.org/INTGENDER/Resources/laborilahi.pdf>  
<http://www.savethechildren.org.uk/younglives/data/publications/pdfs/wp15ethed.pdf>
- <sup>26</sup> Edmonds, E.V., and N. Pavcnik. (2005) "Child Labour in the Global Economy." *Journal of Economic Perspectives*, 19(1).
- <sup>27</sup> CUTS Centre for International Trade, Economics & Environment (2003); *Child Labour in South Asia: Are Trade Sanctions the Answer?*; Briefing Paper No.3 <http://www.cuts-international.org/Brf-3-2003.pdf>
- <sup>28</sup> Brown, D., Deardorff, A. and Stern, R. (1999) *U.S. Trade and Other Policy Options and Programs to Deter Foreign Exploitation of Child Labour*, Discussion Paper No. 433. Research Seminar in International Economics; School of Public Policy, The University of Michigan. Available at: [www.spp.umich.edu/rsie/workingpapers/wp.html](http://www.spp.umich.edu/rsie/workingpapers/wp.html)
- <sup>29</sup> Escobal, J. (2005) TLC: Mirando en la dirección equivocada; GRADE Peru 21, 7 December; 8408 <http://www.grade.org.pe>
- <sup>30</sup> 'Sensitive agricultural products' – sugar, rice, wheat, maize, cotton and meat – are those likely to be most affected by changed patterns of international trade, and are predominantly cultivated/raised in Highland and Jungle areas.
- <sup>31</sup> Case, Anne and Yogo, Motohiro (1999) *Does School Quality Matter? Returns to Education and the Characteristics of Schools in South Africa*; NBER Working Papers 7399, National Bureau of Economic Research, Inc. and Behrman, J. and Birdshall, N. (1983) 'The Quality of education: Quantity Alone is Misleading', *American Economic Review*, 73 No. 5, December 1983.
- <sup>32</sup> Behrman, J., Sengupta, P. and Todd, P. 2001 *Progressing through PROGRESA: An Impact Assessment of a School Subsidy Experiment*. University of Pennsylvania and the International Food Policy Research Institute, Washington, D.C.
- <sup>33</sup> Skoufias, E. (2001), *ProgresA and its Impacts on the Human Capital and Welfare of Households in Rural Mexico: A Synthesis of the Results of an Evaluation by IFPRI*, International Food Policy Research Institute; December 2001.
- <sup>34</sup> According to FONCODES, National poverty ranking.
- <sup>35</sup> Escobal, J., Suárez, P. Huttly, S., Lanata, C.F., Penny, M.E. and Villar, E. (2005): *Does Having a Newborn Child Affect Income Diversification Opportunities? Evidence from the Peruvian Young Lives Study*, Young Lives Project.

This brief was written by Eliana Villar and Paola Perezniето with Nicola Jones.

The Young Lives Project is an innovative longitudinal study of childhood poverty in Ethiopia, India (Andhra Pradesh State), Peru and Vietnam. Between 2002 and 2015, some 2000 children in each country are being tracked and surveyed at 3-4 year intervals from when they are 1 until 14 years of age. Also, 1000 older children in each country are being followed from when they are aged 8 years.

Young Lives is a joint research and policy initiative aiming to reduce childhood poverty. It is co-ordinated by an academic consortium (composed of the University of Oxford, the University of Reading, the London School of Hygiene and Tropical Medicine, London South Bank University and the South African Medical Research Council) and Save the Children UK, incorporating both inter-disciplinary and North-South collaboration.



[www.younglives.org.uk](http://www.younglives.org.uk)