Committee on Balance-of-Payments Restrictions

1983 CONSULTATION WITH PERU
(SIMPLIFIED PROCEDURES)

Background Paper by the Secretariat

1. This paper has been prepared in accordance with paragraph 7 of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205) to assist the Committee on Balance-of-Payments Restrictions in taking the decision referred to in paragraph 8 of this Declaration.

I. Peru's previous consultations

2. The last full consultation with Peru took place on 17 November 1975. At this consultation the Committee noted that the level of import restrictions was high but that - according to the IMF - the restrictions did not exceed those necessary to prevent a further decline in Peru's monetary reserves. The Committee expressed the hope that Peru's development programme would soon place it in a position to start relaxing progressively its restrictions and to move away from reliance on non-tariff measures toward control of imports through tariffs. (BOP/R/84, p.10)

3. The last full consultation was followed by three consultations under the simplified procedures in June 1977 (BOP/R/94), November 1979 (BOP/R/108), and October 1981 (BOP/R/120).

II. The main changes in Peru's trade policy since the last consultation

(a) Import licencing

4. As previously noted in BOP/W/52, import restrictions were largely eliminated during 1980. Peru notified the present status of prior import licencing to GATT in L/5507 (see also BOP/237, Annex 5). At present, only 117 tariff headings out of a total of over 5,000 remains under prior import licencing, compared to some 50 per cent of the total in 1979. Imports of raw wool, arms and munitions, and fireworks are prohibited. A prohibition on imports of raw cotton was lifted during 1983 following the loss of the cotton crop (see below). Other goods subject to prior import licensing include, inter alia, certain food products, denatured alcohol, tobacco and some products, petroleum products, certain chemicals, pharmaceuticals and fertilizers, some paper products and certain iron, steel and nuclear products. In 1982, the requirement that importers should be registered was abolished.
(b) Tariffs and other charges affecting imports

(1) Customs tariffs

5. As of 13 September 1980 the maximum customs tariff was lowered from 150 to 60 per cent (L/5038). As a result of this measure which affected close to 13 per cent of all customs categories, the average custom tariff declined from 39 to 34 per cent. The programme of tariff reductions has continued. In particular, all tariffs, sales taxes and other charges on machinery, equipment and chemicals for use in agriculture have been suspended with effect from 7 May 1983 (see L/5527).

(ii) Other charges

6. In 1982, a temporary surcharge of 15 per cent on the c.i.f. value of imports was introduced. This measure has been extended until 31 December 1983, at a reduced rate of 10 per cent (see L/5527). A charge of 1 per cent of c.i.f. value for the benefit of the Fund for the Promotion of Non-Traditional Exports, imposed on all imports except food, insecticides, petroleum and derivatives, medical supplies, government imports and all duty-free items, continues in effect.

III. Recent Trends in Peru's Economy and Foreign Trade

6. Peru's economic expansion slowed to less than 1 per cent in 1982, mainly as a result of shrinking manufacturing output, while a moderate expansion was registered in agricultural and mining production. According to rough estimates, consumption and public investment were the most dynamic components of demand. Inflation was running at about 70 per cent annually at the end of 1982, as in the two previous years; it accelerated to over 100 per cent in the first half of 1983. Exchange rate adjustments during 1982 resulted in a 49 per cent depreciation of the sol in dollar terms compared to 33 per cent on 1981 and 27 per cent in 1980. The sol depreciation vis-à-vis the dollar reached 50 per cent in the eight months to August 1983.

7. Export earnings in 1982 remained at about the same level as in the previous year ($3.3 billion), despite a relatively good performance by non-traditional exports (primarily manufactures). Exports of most minerals fell in value, mainly due to declining prices. Copper was displaced by crude petroleum as the leading source of export revenue. Copper shipments increased somewhat in 1982 but earnings dropped by 13 per cent, to $460 million. Crude petroleum exports also declined in value but only slightly, to $505 million. In volume, there was a substantial increase in exports of both crude petroleum and petroleum products, the latter also recording a sharp rise in value (by 28 per cent, to $210 billion). Among other traditional exports, there were moderate gains for iron ore and agricultural products (cotton and coffee, mainly), while earnings from fishmeal and most non-ferrous metals fell sharply. The value of imports climbed by 4 per cent in 1982 (to $3.6 billion), a slow expansion compared with the rates registered in both 1980 and 1981. In volume there was
probably no change, or at most a small increase. Food imports declined substantially, while imports of other consumer goods and investment goods continued to expand. Among the latter, imports by public authorities were the fastest-growing in 1982.

8. Peru's trade deficit had increased to $310 million in 1982\(^1\), despite sharply reduced imports in the second half of the year. In the first six months of 1983, the trade balance shifted to surplus: compared to the same period of last year, exports had dropped 13 per cent in value but imports plummeted by 34 per cent.

9. For the full year of 1983, there is expected to be a sharp increase in imports and fall in exports of agricultural and fishery products, mainly due to the severely adverse weather conditions. Flooding in the entire northern region of the country and drought in the south-east have destroyed a large proportion of rice, cotton, sugar, maize and potato crops, and Peru has become a net importer of these products during 1983. Fishery catches are also considerably reduced.

\(^1\)Exports (f.o.b.) less imports (c.i.f.), on a customs basis.