TRADE POLICY REVIEW MECHANISM

PERU

Report by the Government

Addendum
1. Peru's new political constitution

Following its approval by the Democratic Constituent Congress and its ratification by referendum, the President of the Republic promulgated Peru's new Political Constitution on 29 December 1993, and it was published on 30 December 1993.

The new constitution guarantees the economic reforms carried out by the Government of Peru.

2. Peru's offer in the Uruguay Round

Peru submitted its final tariff offer for market access and agriculture in the framework of the Uruguay Round. The offer consists in replacing the country's current bindings in GATT Schedule XXXV with the binding of Peru's entire tariff at a level of 30 per cent ad valorem, with the sole exception of twenty agricultural products for which another tariff ceiling is set.

This offer embodies the results of the bilateral negotiations concluded with Peru's main trading partners.

In accordance with Peru's policy on this matter, the offer could be improved in the light of the differential margin between the offer and the levels in fact applied provided that corresponding advantages are obtained as a result of concessions by other countries.

3. Situation of Peru in the Andean Group

The Commission of the Cartagena Agreement unanimously agreed (by Decision 347) to extend the time-limit both of Decision 321 and of the trade agreements signed under that Decision until 30 April 1994. During that period, the member countries will hold consultations aimed at defining Peru's situation within the Andean Group.

4. Copyright

In December 1993, Peru adopted the Andean Common Régime for copyright and neighbouring rights (Decision 351), which grants suitable and effective protection to authors and other owners of rights over creative works in the literary, artistic or scientific field, and also protects neighbouring rights (of performers).

5. Agreement with Brazil

On 31 December 1993, Peru signed an Economic Complementarity Agreement with Brazil in the framework of LAIA. The goals are to expand economic and trade relations, promote trade growth and diversification, encourage the development of joint investment and association in production arrangements between enterprises of the two countries.

6. European Union minimum import prices for hake (merluza)

This system has not been applied by the European Union since 1 January 1994.

7. Changes in the tax system

In late December 1993, in the exercise of the powers delegated by the Congress, the Government published legislative decrees aimed at improving the tax system. The aims are to simplify taxes and expand the tax base.
In the Framework Law of the Tax System, the aim pursued is to maintain a small number of taxes. The principal taxes are: income tax, general sales tax (IGV), selective consumption tax (ISC), and customs duties.

The Law eliminates the company assets tax, as well as the exemptions from the IGV for domestic sales of gold producers, and exemptions from the ISC for fuels for the armed forces and police. Although it was enacted subject to implementing regulations and has not been implemented, the new legislation eliminates the refund of the ISC on fuels for traditional exporters and the mining sector.

In December 1993 the refund of the ISC on fuels for non-traditional exporters and the mining sector was eliminated; it had been suspended since December 1992 subject to implementing regulations.

8. Social assistance

In October 1993 Supreme Decree No. 073-93-PCM set up the Resettlement Assistance Project (Proyecto de Apoyo a la Repoblación - PAR) to carry out studies and take measures to encourage the return of displaced people to their places of origin. The National Development Institute (INADE) is responsible for the project.

9. Exchange rate policy

When it is stated that the exchange rate system is one of a floating rate with Central Bank intervention, this does not mean that it is subject to control.

10. Customs valuation

As reference prices no longer apply, the taxable base is not determined by a customs list price and the value declared on the import invoice is evaluated on the basis of a range of international prices.

The surtaxes applicable to twenty tariff headings are based on prices fixed in the light of international averages.

11. Government procurement

State enterprises are no longer obliged to purchase 10 per cent of their supplies from small enterprises. The reference thereto in the report by the Government is therefore no longer applicable.

12. Free zones

Present policy is not to extend the number of free zones and only the Special Trade Treatment Zone at Tacna (ZOTAC) and the ILO Free Zone are operating.
## MAIN ECONOMIC INDICATORS

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<th></th>
<th>1992</th>
<th>1993&lt;sup&gt;1&lt;/sup&gt;</th>
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<tr>
<td></td>
<td></td>
<td>First quarter</td>
</tr>
<tr>
<td><strong>Gross Domestic Product (percentage change)</strong></td>
<td>-2.8</td>
<td>2.4</td>
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<td><strong>Consumer Price Index</strong> (percentage change at end of period)</td>
<td>56.7</td>
<td>12.5</td>
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<td><strong>Real Exchange-Rate Index (August 1990=100)</strong></td>
<td></td>
<td></td>
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<tr>
<td>Export</td>
<td>81.88</td>
<td>89.05</td>
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<tr>
<td>Import</td>
<td>82.88</td>
<td>89.73</td>
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<tr>
<td><strong>Non-financial Public Sector Deficit (% of GDP)</strong></td>
<td>1.7</td>
<td>-0.86</td>
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<tr>
<td><strong>Trade Balance (millions of US$)</strong></td>
<td>-567</td>
<td>-17</td>
</tr>
<tr>
<td>Exports</td>
<td>3,484</td>
<td>909</td>
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<tr>
<td>Imports</td>
<td>-4,051</td>
<td>-926</td>
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<tr>
<td><strong>Net International Reserves of the Banking System (millions of US$)</strong></td>
<td>2,425</td>
<td>2,755</td>
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<td><strong>External Public Debt (millions of US$)</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>18,338</td>
<td>18,469</td>
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<sup>1</sup>Preliminary. Variables include estimates for the fourth quarter, except in the case of the consumer price index, the real exchange rate and net international reserves.

<sup>2</sup>Only includes the cost of unpaid service with the Paris Club. Prepared by: BCRP