GATT HIGHLIGHTS PERU’S KEY PRIORITY OF UNILATERAL TRADE LIBERALIZATION AS ESSENTIAL COMPONENT OF MACROECONOMIC AND STRUCTURAL REFORM

"Peru’s key priority in recent years has been unilateral trade liberalization on a most-favoured-nation basis as an essential component of its macroeconomic and structural reform programme," says the GATT Secretariat’s report on Peru’s trade policies and practices. Since 1990, in the context of a major macroeconomic stabilization programme, Peru has introduced wide-ranging structural reforms, opening its markets to foreign trade and increased domestic competition. Recent changes in the constitutional and legal framework have, in addition to these reforms, helped to restore the confidence of foreign investors.

The import substitution policy, which had been in operation since the 1950s, has been abandoned and decades of state intervention are being reversed. The average level of tariffs has been sharply reduced from 66 per cent in 1989 to some 16 per cent in June 1993; the Government’s aim is to institute a uniform 15 per cent tariff by January 1995. Price controls, subsidies, quantitative and foreign exchange restrictions have been eliminated. The foreign trade régime has been simplified and rationalized, and accompanied by institutional reforms. Statutory monopolies and exclusive rights have been suppressed, while efforts are being made to phase out state ownership in productive sectors and trade by the end of 1995. New provisions on competition policy and the protection of intellectual property have also been established.

Until now the private sector response to this change has been poor. This is a consequence of high interest and tax rates, competition from the informal sector (which is estimated to account for almost 40 per cent of GDP), infrastructure deficiencies, overvaluation of the exchange rate and terrorism. "Additionally," says the report, "time is required for the private sector to break with old habits and to adjust to the new economic framework." Peru was an active participant in the Uruguay Round.
It looks to significant liberalization by major participants to help consolidate its own trade reforms and provide improved market-access, in particular, for non-traditional exports. "Such an outcome assist the private sector to diversify and increase its competitiveness both domestically and abroad, thereby contributing to the supply response required to generate growth and employment."

Notes to Editors

1. The GATT Secretariat’s report, together with a report prepared by the Peruvian Government, will be discussed by the GATT Council on 7-8 February 1994. The TPRM enables the Council to conduct a collective evaluation of the full range of trade policies and practices of each GATT member at regular periodic intervals, to monitor significant trends and developments that may have an impact on the global trading system.

2. The two reports, together with a record of the Council’s discussion and of the Chairman’s summing up, will be published in 1994 as the complete trade policy review of Peru and will be available from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

3. The reports cover developments in all aspects of Peru’s trade policies, including domestic laws and regulations, the institutional framework, trade-related developments in the monetary and financial sphere, trade practices by measure and trade policies by sector. Attached are the summary extracts from these reports. Full reports will be available for journalists from the GATT Secretariat on request.

4. Since December 1989, the following reviews have been completed:

Since 1990, in the context of a major macroeconomic stabilization programme, Peru has introduced wide-ranging structural reforms, opening its market to foreign trade and increased domestic competition. The import substitution policy in being since the 1950s has been abandoned and decades of State intervention are being reversed. The average level of tariffs has been sharply reduced, from 66 per cent in 1989 to some 16 per cent in June 1993; the Government’s aim is to institute a uniform 15 per cent tariff by January 1995. Price controls, subsidies, quantitative and foreign exchange restrictions have been eliminated. The foreign trade régime has been simplified and rationalized, and accompanied by institutional reforms. Statutory monopolies and exclusive rights have been suppressed, while efforts are being made to phase out State ownership in productive sectors and trade by the end of 1995.

Economic performance in recent years has been erratic, with real GDP increasing by 2.7 per cent in 1991 but declining by 2.8 per cent in 1992. Although inflation was brought down from a peak of 7,650 per cent in 1991 to 57 per cent in 1992, it is still high by international standards. The objective is to bring it down to single-digit levels by 1995. With the hangover of inflation and the growth of illicit coca trade, the dollarization of Peru’s economy has been increasing in the past two years, posing a threat to the anti-inflation policy; dollarization was estimated at 68 per cent at the beginning of 1993. In mid-1990, the Government began to normalize relations with foreign creditors and, partly as a result of debt re-structuring, increased confidence in the economy and high interest rates, capital has started to flow back to Peru, increasing international reserves substantially in 1991 and 1992. However, the shares of domestic savings and investment in GDP, which have been falling in the last decade, continued to decline in 1992.

The Government deficit, a major source of inflationary pressures in the past, has been tackled by increasing fiscal revenue and reducing expenditures. Revenues have been increased through reform of the tax administration as well as through new taxes and a shift in the tax structure; together, these have increased the share of corporate, production and consumption taxes in total revenue. Expenditure has been reduced mainly by substantial cuts in the public sector workforce and by abolishing backward-linked wage indexation. Government spending has been re-orientated towards social programmes under the National Fund for Social Compensation and Development (FONCODES).

In the past, shortage of foreign exchange largely shaped the direction of Peru’s trade policy. Multiple exchange rates constituted a major trade distortion. Since March 1991, the exchange rate has been subject to a controlled float, with the Central Reserve Bank of Peru (BCRP) able to intervene when necessary to maintain reserve targets and reduce speculative currency movements. No significant gaps have appeared between the official and parallel nominal exchange rates since 1991; however, a significant appreciation in the real effective exchange rate has affected Peru’s competitive position.

Despite trade liberalization, the level of indirect taxes still constitutes an incentive for smuggling and informal activities. The informal sector is estimated to have contributed nearly 40 per cent to GDP in 1986. It spans almost all aspects of economic life, not least the large coca-cocaine production whose external revenues have been estimated at one-third to one-half of recorded exports. The size
of the informal sector, linked to the degree of dollarization of the economy, means that the tax burden is unevenly borne by the formal economy.

Variable import levies and local content requirements are in force mainly on agricultural items, while reference prices to fight under-invoicing apply to imports of a number of goods. Government procurement and state trading operations are areas where reforms are yet to be fully enacted.

In sectoral policy reforms, many past priorities have been reversed. In agriculture, land ownership limitations, dating back to the 1969 agrarian reform, have been abolished; investment in large scale agricultural and agro-industrial activities is now welcome. Traditional fishing activities are being fostered to help meet domestic demand for food, while large-scale private investment in freezing and salting is encouraged; these policies are expected to contribute to the resumption of the sector’s position as a major foreign exchange earner. At the same time, there is substantial over-capacity in the fishmeal sector. In mining, State enterprises are being privatized and reactivated by foreign investors, gold production is being increased and gold trade liberalized; taxation has been lowered and a new mining code is under preparation. Oil and natural gas production is to be promoted for domestic and export purposes, within the framework of a new Hydrocarbons Law promulgated in August 1993.

The private sector has so far responded to the changed economic environment only to a limited extent. Despite the wide-ranging economic policy reforms, adverse climatic and natural conditions, structural problems such as high interest and tax rates, an overvalued domestic currency, infrastructure deficiencies, uncertainty over economic policy developments, competition from informal entrepreneurs, and terrorism continue to inhibit private initiative. Additionally, time is required for the private sector to break with old habits and to adjust to the new economic framework.

A new foreign investment law, introduced in 1991, guarantees foreign investors non-discriminatory treatment, free exchange convertibility and unrestricted rights to repatriate capital and profits. Stability contracts guaranteeing fiscal, export and worker recruitment régimes can be signed with the authorities for investments fulfilling certain requirements. Most foreign direct investment is currently directed towards the manufacturing, mining, commerce and financial sectors; in addition, Peru’s privatization programme provides investment opportunities in almost all areas, including certain public services.

Peru in World Trade

Peru’s estimated share in world trade is around 0.11 per cent. It is the world’s largest producer of fishmeal and cochineal, the second largest silver and zinc concentrates producer, the third largest lead concentrates producer and the fifth largest copper producer. Peru accounts for around 5 per cent of world trade in metal ores, more than 4 per cent in precious metals, about 4 per cent in zinc, and around 3 per cent each in lead and copper. The share of foreign trade in GDP stood at almost 30 per cent in 1992. Main export markets are the EC, the United States, Japan and China, while the United States, the EC, Colombia and Japan are Peru’s principal suppliers.

Peru’s recorded exports remain heavily dependent on a few "traditional" items of minerals, fishmeal, cotton, sugar, and coffee. However, the overall share of these items in the total has fallen from some 97 to 71 per cent between 1970 and 1992 as non-traditional exports in the fishery, textile and other manufacturing sectors have grown. The share of base metals (copper, lead, zinc, silver and iron ore) has declined from 45 to 41 per cent in the period. By contrast, exports of gold have increased markedly in the last two years, following the liberalization of the trade, reaching over 6 per cent of
total value in 1992. Peru is also the world’s largest producer of coca leaves, now equalling one-third of recorded merchandise exports. Illicit trade in cocaine has grown rapidly since the early 1970s. Legitimate alternative crops have not yet proved to be a viable alternative in Peru. Newly introduced measures concentrate on the interception of drug shipments, rather than on coca eradication or crop substitution.

**Institutional framework**

Trade measures in Peru are based on decrees. While constituting efficient and flexible tools for prompt enforcement of policy, these do not provide the same degree of stability and predictability as enacted legislation. Legislative Decree 668, issued in late 1991, encompasses all aspects of the foreign trade régime. A new Constitution, adopted by referendum on 31 October 1993, may consolidate recently introduced economic reforms and, inter alia, permits the President to run for a second term.

Trade policy-related responsibilities are decentralized and, therefore, highly dependent on cooperation among responsible Government entities. The Ministry of Economy and Finance has overall responsibility for foreign trade policy formulation, sectoral coordination and tariff policy implementation. The Ministry of Industry, Tourism, Integration and International Trade Negotiations (MITINCI) and the newly created National Institute for the Defence of Competition and the Protection of Intellectual Property (INDECOPI) are concerned with trade policy implementation. MITINCI is also responsible for the negotiation of international, multilateral, regional or bilateral agreements. The Ministry of External Relations is responsible for GATT matters in coordination with MITINCI and assists the private sector in the area of export promotion.

When formulating new policies or modifying existing policies, the Ministry of Economy and Finance takes account of private sector proposals, expressed either in formal coordination meetings or ad hoc working groups. However, no formal, periodic review of trade policy is made by any independent body.

Peru acceded to GATT in 1951. It maintains observer status in the Tokyo Round Agreements on Technical Barriers to Trade, Government Procurement, Subsidies and Countervailing Measures, Customs Valuation, Import Licensing procedures and Anti-dumping. It is a signatory to the Multifibre Arrangement (MFA). Accession to the Customs Valuation Code is to take place by the end of 1993, while adherence to further agreements is under consideration.

Peru does not maintain any voluntary export restraints, except for the bilateral agreement with the European Communities under the MFA, which contains restraints on cotton yarns and fabrics. Since 1987, the degree of quota utilization under the agreement has fallen. Under an Administrative Visa System for Textiles, Peruvian textile exports to the United States require a visa for statistical purposes only.

Peru is an active participant in the Uruguay Round. It has made a conditional offer to bind its entire tariff schedule at a ceiling level of 35 per cent, with the exception of certain agricultural items which are subject to variable import levies. It has also proposed the temporary exemption of coca substitute crops from commitments to reduce domestic support and border protection.
Trade policy features and trends

Peru conducts its main formal trade relations through GATT, the Andean Group and the Latin American Integration Association (LAIA). Around one-third of total recorded imports came from the Andean Group and LAIA member States in 1992; although the exact share of imports subject to preferential rates was not available to the Secretariat, it may be assumed that at least 5 per cent of total imports was covered by agreements with these countries.

In August 1992, the Commission of the Cartagena Agreement authorized Peru to suspend its participation in the programme for implementation of the sub-regional integration process, and move to observer status within the Andean Group. The Peruvian authorities have informed the GATT Secretariat that Peru’s intention is to resume full Andean Group membership on 1 January 1994, the date on which full customs union is to be attained; this will, however, depend on the outcome of the negotiations to take place in the intervening period. In this respect, an important issue will be the reconciliation of Peru’s national tariff policy objective of attaining a 15 per cent uniform tariff by 1995 with the current four-tier structure of the Andean Group’s common external tariff.

Bilateral agreements, valid until 31 December 1993, were concluded separately with all Andean Group trading partners in late 1992. The Agreement with Bolivia covers the entire tariff of both parties.

Peru has also signed preferential agreements with all LAIA countries which are not Andean Group members. The bilateral agreements with Argentina and Brazil have the highest trade coverage.

Evolution of trade policies and instruments

Peru’s economic policies changed direction in 1990. Emphasis was placed on integrating the domestic economy into the world economy by eliminating the anti-export bias from the tariff structure and implementing measures favouring efficient resource allocation and foreign investment. Peru’s trade policy is intended to achieve the highest possible degree of neutrality among sectors.

The move away from import-substitution policies opened domestic production to increased competition from abroad. This has generated requests for protective measures in certain sectors. In agriculture, these have been met to some extent with variable and fixed import levies, tariff surcharges, and local content requirements on fresh milk used in processing, while anti-dumping and countervailing measures or suspension of preferential treatment has been sought for other products.

Currently, applicable tariff rates are 15 and 25 per cent. Eighty-seven per cent of the tariff items, representing more than 97 per cent of imports, are subject to the 15 per cent tariff rate. The higher rate mainly affects textiles and clothing, footwear, machinery, milk products, eggs, fruit and vegetables, coffee, yerba maté and vegetable preparations.

Peru’s existing GATT tariff binding commitments, expressed as compound duties, cover around 460 tariff lines. A waiver from Article II obligations, granted by the CONTRACTING PARTIES in July 1992 pending the conversion of Peru’s tariff concessions to the Harmonized System, was in June 1993 extended until 31 December 1993.

Adverse experience with the operation of concessional entry schemes, which distorted the tariff structure and reduced tax revenue from imports, led to the suppression of 39 régimes of this kind in August 1990. At present, concessional entry is mainly allowed for imports covered under preferential

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agreements, as well as those entering under the Temporary Admission, Stock Replacement, Temporary Import and free-zone régimes.

In July 1993, fixed import levies and tariff surcharges were suppressed. However, variable import levies continue to supplement tariff protection on imports of 20 agricultural items, comprising milk powder, dehydrated milk fat, wheat, maize, rice, sorghum, sugar, pasta and products thereof. These represented more than 10 per cent of total imports in 1992. These levies are intended as price stabilization and protection measures to counter export subsidies. Their levels, which are updated every six months, are determined in relation to reference prices established weekly by the Central Bank.

The General Sales Tax (IGV), a value added tax, and the municipal tax (IPM) appear to be applied uniformly across sectors, except for gold sales, where domestic output is exempt, and 100 mainly agricultural tariff lines. The consumption tax (ISC) is selective in product coverage, with rates ranging up to 130 per cent on fuels.

With the aim of simplifying and accelerating import procedures, reducing the risk of corruption and increasing efficiency, the National Customs Administration has been radically reformed. Formalities can now be carried out without using customs agents. Import duties and taxes are paid either to the Peruvian Customs offices or to authorized banks.

Handling charges for imports or exports of goods by air are twice as high as for domestically traded goods. Charges for unloading containers at Peruvian ports are up to 73 per cent more than for loading.

Since August 1991, price, quality and quantity controls have been made by four specialized inspection enterprises. Reference prices are used either to determine the level of variable import levies or as a tool against under-invoicing, particularly of cars and wine. Minimum import prices apply on imports of iron and steel products. Reference prices for customs valuation purposes should be eliminated on Peru’s accession to the Agreement on Customs Valuation.

Import prohibitions currently in force are related to public health or security. Import surveillance measures, in the form of prior authorizations, affect industrial fishing boats, explosives, arms and ammunition, ammonium nitrate, chemicals directly or indirectly involved in processing cocaine, and radio-communication equipment. Local content requirements applying to fresh milk used by domestic condensed milk producers, currently standing at 70 per cent, are to rise progressively to 100 per cent by 1 April 1995. Such requirements for the car assembly industry were abolished in 1990, although the ISC tax remains lower on CKD kits than on assembled vehicles.

In the past, standards were used to a certain extent as a protective device. Currently, the recently established Commission on Technical Standards, Quality Control and Para-Tariff Restrictions, established within INDECOPI, is focusing on eliminating past protective elements and aligning standards with internationally agreed norms. In this connection, procedures for the inclusion of pharmaceutical products in the health register have been simplified and accelerated.

Despite the recent abolition of production monopolies, State involvement in economic life is likely to remain relatively significant until the end of 1995. Plans are in hand to privatize the State mining and oil companies by that time. Currently, 124 publicly-owned enterprises are operational; 52 should be privatized in 1993, while the rest should be included in the privatization list in 1994.
No detailed data on Government procurement operations have been made available to the GATT Secretariat. However, central government agencies and State enterprises have wide scope for individual procurement; State enterprises are required to purchase 10 per cent of their domestic supplies from domestic small-scale enterprises. Procurement procedures have been simplified by eliminating the obligation for suppliers to register in the Single Register of State Suppliers.

Countertrade operations, although important in the past, particularly in the late 1980s, for promoting and diversifying exports as well as for cancelling Peru's external debt in kind, have not been subject to any administrative authorization since early 1991. No information on past or recent agreements was supplied by the Peruvian authorities.

Export prohibitions, covering 73 tariff lines, are maintained mainly for conservation of the national heritage, including wild fauna and flora; improvement of plantations; the protection of the environment and national culture. In certain cases, prior export authorization may be obtained through the competent Ministry. Exports of fresh milk are authorized only if originating from the Tacna plant.

Drawback facilities operate through the Stock Replacement, Temporary Admission and Temporary Import régimes. A new drawback scheme is to be introduced in 1993. The IGV indirect tax on goods and services used in the production of export items can be deducted or compensated. From October to December 1992, the ISC tax on fuels paid by exporters of mining and non-traditional goods was made deductible from their liabilities for turnover and corporate taxes. The possible reintroduction of this measure, currently suspended, is under consideration.

Free-trade zones are considered as a means of fostering regional development, domestic and foreign investment, boosting exports and combatting smuggling. Since November 1991, a number of zones have been authorized. Currently, however, only one Special Trade Treatment Zone in Tacna, benefitting from a special tariff régime, is operational. The Industrial Free Zones of Ilo and Paita should be operational by 1995. The port of Ilo is to provide sea access for Bolivian exports.

Temporary measures

Peru has taken no safeguard action under GATT Article XIX since 1963. At regional or sub-regional level, between 1984 and 1992, safeguard action took the form of suspension of preferential treatment or introduction of specific duties or quotas on imports covered by LAIA, Andean Group and Peruvian-Colombian Customs Cooperation Agreements. Currently, safeguard measures against eleven agricultural products covered by LAIA Agreements, introduced in March 1993 for one year, consist of a 50 per cent reduction of the preferential margin.

Peru enacted anti-dumping and countervailing legislation in 1991. A Dumping and Subsidies Surveillance Commission (CFDS) oversees its implementation. Between July 1991 and September 1992, 22 complaints were received, mostly related to dumping of industrial goods. Definitive anti-dumping action has, so far, been taken with respect to aluminum products from Colombia and provisional duties have been levied on hot rolled sheet steel and coils from Venezuela. Countervailing measures against imports of milk powder and dehydrated milk fat from Canada, the EC, New Zealand and the United States were not taken under these procedures, but by adjusting the import levies on these products.
Since February 1991, when Peru informed the GATT Council that the provisions of Article XVIII:B were being disinvoked, no import restrictions have been applied for balance-of-payments purposes.

New initiatives

In February 1993, the Peruvian Promotion Commission (PROMPERU) was created to coordinate private and public sector action for the promotion of investment, exports and tourism. Its Export Committee is to provide export assistance to the private sector.

In March 1993, the National Institute for the Defence of Competition and the Protection of Intellectual Property (INDECOPI) was established. Operating through a number of specialized Commissions and offices, it has authority over a wide range of issues, including the simplification of market access, competition questions, dumping and subsidies, technical standards, transfer of technology, new technologies and intellectual property and consumer protection. INDECOPI's specialized bodies may act either on the basis of complaints or on their own initiative. If any proposed solutions are challenged, they may be referred to the Court of Defence of Competition and of Intellectual Property of INDECOPI and finally to the Supreme Court.

Peru's recently enacted legislation on competition policy, administered by INDECOPI, authorizes agreements on practices which, although in principle prohibited, allow a reasonable degree of competition. Such practices may also be authorized if they are considered to have beneficial effects on the marketing of goods and services, the national export capability, the strengthening of supply and demand, or the raising of living standards in economically depressed areas. Practices which confuse or mislead consumers are illegal. Patent rights are valid for a period of fifteen years, extendible once for five years.

Under a new Hydrocarbons Law, promulgated on 13 August 1993, PERUPETRO S.A., a government institution, is to undertake the regulatory and contract negotiating activities of PETROPERU, the state petroleum company, which is being privatized. All extracted hydrocarbons are the property of the franchise-holder. Construction of pipelines or storage refining, processing and marketing facilities may be undertaken by domestic or foreign companies. Temporary duty-free entry is provided to material and equipment required for exploration and exploitation.

Trade Policies and Foreign Trading Partners

Peru's non-traditional exports seem to have benefitted from GSP schemes, but the Peruvian authorities consider that such preferential treatment has been eroded. According to them, preferential treatment granted by the United States to Caribbean Basin and certain Central American countries has adversely affected Peruvian exports, mainly of canned food and textiles. Since mid-August 1993, Peru has benefitted from the extension of United States GSP preferences under the Andean Trade Preferences Act of 1991.

Since the cholera epidemic of 1991, Peruvian agricultural exports in developed country markets have been subject to pre-shipment sanitary control by officially recognized specialized domestic entities, while importers in foreign markets require a certificate of freedom from cholera.

Peruvian exports of bananas and hake are subject to tariff quotas and minimum import prices, respectively, in the EC market. Exports to the United States of chrysanthemums, cotton fabrics, satin
clothing and steel bars were faced with countervailing duties in late 1992. Sugar exports to the United States have been increasingly subject to limitations under the U.S. import quota system.

Peru’s key priority in recent years has been unilateral trade liberalization on a most-favoured-nation basis. This is considered to be an essential component of its macro-economic and structural reform programme. It also has strong regional trade priorities. Peru has a major interest in a successful conclusion of the Uruguay Round. Significant liberalization by major participants would help in consolidating Peru’s own unilateral liberalization measures and provide improved market access, in particular, for non-traditional exports. Such an outcome could assist the private sector to diversify and increase its competitiveness both domestically and abroad, thereby contributing to the supply response required to generate growth and employment.
TRADE POLICY REVIEW MECHANISM

PERU

Report by the Government - Executive Summary

Since August 1990, the Peruvian Government has been implementing a stabilization and structural reform programme to reduce inflation, rectify the imbalances in the external sector and lay the foundations for sustained economic growth.

When the present Government took office, the Peruvian economy was suffering from severe imbalances which were reflected in hyperinflation, a severe recession, depleted international reserves and isolation from the international financial community. As a medium-term trend, the uneven performance of the Peruvian economy over the past two decades, characterized by brief spurts of growth and increasingly acute economic crises, had led to a significant fall in per capita income.

Economic policy measures have managed to reduce inflation drastically, from 7,650 per cent in 1990 to 57 per cent in 1992. This was made possible through strict fiscal and monetary discipline. In 1993, inflation should continue to fall to around 40 per cent. International reserves have also increased significantly.

Initially, the stabilization programme was accompanied by increased production, although in 1992 economic activity decreased, mainly due to supply problems. This situation is now being reversed and in the first nine months of 1993 there was an increase of 6.6 per cent in GDP compared with the same period in 1992.

At the same time, the structural reform programme is aimed at giving the market a predominant rôle in the allocation of resources; together with the stabilization policy, it will lay the foundations for sound and sustained economic growth.

Among these reforms, trade policy reform constitutes an essential element in the economic strategy aimed at reintegrating Peru efficiently into the global economy. The opening of the economy will allow Peru to enjoy the advantages offered by the international market through growth in exports and imports.

In this connection, important measures have been adopted to promote trade liberalization in accordance with the objectives and rules of the General Agreement on Tariffs and Trade. The major bases underpinning trade policy are the following:

- The State considers that free external trade is a basic prerequisite for achieving Peru’s development. In this connection, it guarantees to economic agents free access to the acquisition, processing and marketing of goods and the delivery of services.

- Any form of monopoly, limitation and any other restriction or monopolistic practice in the production and marketing of goods and the delivery of services of any kind has been abolished and prohibited, including any such activities carried out by the State.

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The principle of non-discrimination between national and foreign investors has been established.

Freedom to possess, use and dispose of foreign currency both within and outside Peru is guaranteed to natural or legal persons resident in the country. The use of multiple exchange rates is prohibited.

The valuation of imported goods may not be used as a means of raising or distorting the level of tariff protection in force. In this connection, Peru declares its intention to accede to the GATT Customs Valuation Code.

Foreign trade operations are not subject to any type of prohibition or non-tariff restriction. Licences, certificates, prior and consular certification, registration of importers and exporters and any other precondition affecting the import or export of goods have been abolished.

Tariff levels and dispersion have been substantially reduced and tariff levels of 15 per cent for 87 per cent of tariff headings, representing around 97 per cent of imports in 1992, and 25 per cent for the remaining headings have been established.

Measures have been adopted to avoid and rectify the distortions caused by unfair competition in international trade, for example, dumping and subsidies.

The benefits which Peru hopes to gain as a result of the foreign trade liberalization measures adopted are closely linked to the strengthening of a stable, transparent and predictable international trade environment which will allow increased access to international markets for Peru’s exports. It is therefore important for Peru that there should be a satisfactory conclusion to the Uruguay Round in order to ensure that the multilateral trade system is strengthened.

It is important to mention that Peru’s reintegration into the international financial system is aimed at establishing normal relations with foreign creditors. So far, a large inflow of external resources has been obtained to support the economic programme. In this connection, Peru’s external debt policy was marked by the following stages:

(a) Elimination of arrears with multilateral organizations;
(b) Renegotiation of the debt with governments represented in the Paris Club;
(c) At present, negotiations are being held with commercial banks.

This policy, together with the measures taken in other fields such as finance, labour, capital movements, guarantees for private property and redeployment of State activities, has led to a climate of greater certainty and an absence of discrimination as between national and foreign investors, thus encouraging them to participate in Peru’s economic and social progress.

N.B. The Peruvian Government has submitted the following additional information:
ADDENDUM

TRADE POLICY REVIEW MECHANISM

Report by the Government of Peru

1. ENTRY INTO FORCE OF PERU'S NEW POLITICAL CONSTITUTION

Following its approval by the Democratic Constituent Congress and a referendum, the President of the Republic promulgated the new Political Constitution on 29 December 1993, and it entered into force on 1 January 1994. 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 final offer embodies the results of the bilateral negotiations concluded with Peru’s main trading partners.

3. SITUATION OF PERU IN THE ANDEAN GROUP

The Commission of the Cartegena 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. EU MINIMUM IMPORT PRICES FOR HAKE (MERLUSA)

This system has been applied by the European Union since 1 January 1994.

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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. These are classified by the Law in three major categories: central government taxes, local government taxes and taxes for other purposes.

The Law maintains the small number of principal taxes: income tax, general sales tax (IGV), selective consumption tax (ISC), and customs duties.

The Law eliminates the company assets tax, the exemptions from the IGV, such as 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.

8. **SOCIAL ASSISTANCE**

In October 1993 the Resettlement Assistance Project (Proyecto de Apoyo a la Repoblación - PAR) was set up 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.
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<th>MAIN ECONOMIC INDICATORS</th>
<th>1992</th>
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<tr>
<td>-4,051</td>
<td>-926</td>
<td>-994</td>
<td>-1,035</td>
</tr>
<tr>
<td>Net International Reserves of the Banking System (millions of US$)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,425</td>
<td>2,755</td>
<td>2,833</td>
<td>2,746</td>
</tr>
<tr>
<td>External Public Debt (millions of US$)²</td>
<td>18,338</td>
<td>18,469</td>
<td>18,636</td>
</tr>
</tbody>
</table>

¹Preliminary. Variables include estimates for the fourth quarter, except in the case of the consumer price index, the real exchange rate and net international reserves.
²Only includes the cost of unpaid service with the Paris Club. Prepared by: BCRP