PERU SCHEDULE - RENEGOTIATIONS

Statement Made before the Council on 15 March 1966
by Ambassador Max de la Fuente Locker

It is once more a great pleasure for me to have an opportunity to speak in this forum devoted to international trade governed by contractual provisions, the General Agreement on Tariffs and Trade; on this occasion, I am here to lead the Peruvian delegation that is to renegotiate Schedule XXXV of concessions granted to contracting parties to GATT.

The object of my statement is to present and explain, on behalf of my Government, the request for a nine-month extension of the Decision of 25 March 1965 so that, at the end of that time, Peru may be in a position to finalize the renegotiation of our new Schedule XXXV.

2. As already notified to the contracting parties concerned, my delegation's initial intention was to complete the renegotiation of the new Schedule XXXV within the established time-limit, in other words, by the last day of the current month.

For this purpose, the relevant statistics were distributed and meetings were held with eight of the twelve original contracting parties, as well as with other contracting parties which had indicated a principal supplying interest.

With four of them, which account for 97 per cent of the trade covered by the old Schedule XXXV, we have already completed the stages of statistical examination and comparison between the old and the new customs tariffs; we have also received and examined with them their requests for compensation, which have been forwarded to the appropriate authorities in my country for study, evaluation and decision.

Substantial progress has thus been made in renegotiating items which make up 97 per cent of the old Schedule XXXV of concessions granted by Peru within GATT.
For a proper appreciation of the scope of the renegotiations now in progress, I think I should point out that the old Schedule XXXV covered 50 per cent of Peru's total imports, and in 1964 these represented imports with a value of $571 million.

3. After the renegotiation meetings referred to above, however, the practical difficulty arose of making a real global assessment within the short time available of that Peru could offer by way of compensation in its new schedule of concessions, without impairing the promotional effect of the new customs tariff. Certain problems also arose with regard to the concentration of trade on a few items, and these could only be solved on the basis of detailed statistics for 1965, which are not yet fully available and which it is desirable to examine both for the renegotiating contracting parties and for Peru.

In addition, my Government is concerned over the fact that, although informal contacts have been made, it has not been possible to hold meetings with the other contracting parties entitled to renegotiation, either as original negotiators or because they have a principal supplying interest.

My Government is also interested in linking up the Kennedy Round of trade negotiations - in which Peru is actively participating - with the renegotiation of Schedule XXXV, so as to be able to evaluate and co-ordinate our undertakings in GATT, as well as those in the Latin American Free Trade Association with respect to negotiated preferential margins, with our financial and development needs, with special reference to the Three-Year Plan for Economic Development and Public Investment, which is at present being drawn up by the International Planning Institute and will take effect in 1967.

4. The promotional and non-restrictive character of the customs tariff introduced in October 1964 can be seen from the results for 1965, which showed a change in the composition of our imports and a substantial increase in them. In that year, our total imports reached a record figure of $729.6 million, an increment of 25.9 per cent over the preceding year; in percentage terms, the share of consumer goods and fuels out of total imports declined, and there was an increase in the share of industrial goods, particularly capital goods.

This appreciable expansion in imports was accompanied by an increment in exports of only 0.4 per cent in terms of value - showing a further decline in the terms of trade, although trade volumes increased. The consequence was that Peru's trade deficit was $60 million, the highest reached in the past eight years, after showing a credit balance of $87.5 million in 1964.
Despite the fact that this substantial deficit has not caused immediate balance-of-payments difficulties, due largely to the offsetting effect of inflows of public and private foreign capital, it is undoubtedly a cause of serious concern for my Government because of the effects which it could have if it persists, both on the balance of payments and on monetary stability; my country has attached, and still attaches, high priority to monetary stability.

In order to remedy the inflationary process that could affect the currency, the Peruvian Government has, inter alia, introduced fiscal austerity measures of a budgetary character, has raised the compulsory cash balance of the banks in order to limit expansion of the amount in circulation, has created a National Bank, thus centralizing public expenditure transactions, has revised the tax collection system and is now embarking on a campaign to freeze wages and salaries.

On the other hand, because of the fact that our national economy depends greatly on the external sector, my Government attaches essential importance to the expansion of markets for our export products and to ensuring stable, equitable and remunerative prices for those products, in order to achieve a credit in the balance on current account of international payments, and to help offset the trade deficit for invisibles and the servicing of external indebtedness. This is why the Peruvian Government attaches special importance to the Kennedy Round and why, as already mentioned, it wishes to link up the Kennedy Round with the renegotiation of Schedule XXXV, and fit both negotiations into the context of our development and financial needs.

5. The promotional character of the new tariff - which is the only instrument that orientates our foreign trade, since Peru does not apply any kind of commercial, financial or exchange restrictions - has an effective complement in the many special development laws providing for incentives and exemptions to promote Peru's industrial development.

I wish to emphasize that these special laws, which provide for the free or liberalized admission of many industrial and capital goods, have had the effect in practice of reducing the general incidence of the new customs tariff by 41.6 per cent. They include the Laws on industrial promotion, on the pharmaceutical industry, on petroleum, on the mining code, on the fishing industry, on motor vehicle assembly, on the assembly of industrial machinery, on the preserving industry, on the development of the Orient region of Peru, on the industrial areas of Tacna, Arequipa, Cuzco and Huancayo, on the realization and re-investment of utilities, and many more which would be too lengthy to list here, but which, I repeat, are of very great significance for liberalizing Peru's import trade.
6. In conclusion, and on the basis of what I have said in this statement, I wish on behalf of my Government to request an extension of the Decision of 25 March 1965 until 31 December 1966 at the latest, having regard to the need and the desirability of avoiding any hasty renegotiation, and of drawing up a carefully considered new Schedule XXXV representing satisfactory compensation to contracting parties - in conformity with the provisions of the waiver already in force - and which, like the new customs tariff, would be a dynamic instrument for Peru's economic development.

7. In conclusion, Mr. Chairman, I should like to express my Government's gratitude for the spirit of comprehension and co-operation shown by the contracting parties taking part in the renegotiations, and also our satisfaction at seeing the equitable interpretation given to the principle of non-reciprocity in the course of our renegotiations as well as to the decisions adopted at the Ministerial Meeting of 1965. We believe that this demonstrates the new orientation of GATT towards the orderly conduct of international trade on the basis of the closest possible harmony between the interests of member countries, thus making possible the speedy and effective pursuit of the principles and objectives of the General Agreement.