1. The Working Party was appointed by the CONTRACTING PARTIES at their meeting on 5 March 1964 "to examine the request of Peru for authority to maintain a surcharge on bound duties and to conduct renegotiations with a view to establishing a new list of concessions in place of the present Schedule XXXV; and to report to the CONTRACTING PARTIES before the end of the present session".

2. The Working Party met on 10, 16 and 19 March 1964. In his introductory statement the representative of Peru, supplementing the information contained in document L/2156 and in his statement before the CONTRACTING PARTIES on 5 March 1964, explained that his Government had engaged in an extensive programme of economic and social development which included, inter alia, an agricultural reform. In this connexion it had been found necessary substantially to increase government revenue through a number of measures including increased internal taxation and the import surcharge established by the law of 25 November 1963.

3. The representative of Peru recalled that the tariff and the other import charges represented the only barriers to trade that existed in Peru; there were no non-tariff barriers. Furthermore, in any assessment of the degree of tariff protection, it had to be kept in mind that imports into an area covering about a third of the country were granted complete exemption from duties and that capital goods imported for industrialization purposes were also free of duty.
4. In reply to questions put by members of the Working Party, the representative of Peru supplied some further clarification about the background and scope of the measures taken. Information was, however, not yet available on many questions relating to the proposed new tariff. In particular it was not yet possible to make available to contracting parties a draft of the new tariff.

5. Some members of the Working Party noted that among the measures recently introduced by the Government of Peru to meet the emergency situation was an increase in certain internal taxes on luxury products. These members expressed concern regarding the effects of the exemption of a number of domestically produced goods from the application of the taxes while similar goods, when imported, remained liable to the taxes. The Working Party concluded that while discussion of these taxes was appropriate in the overall examination of the economic situation in Peru, this matter fell outside the terms of reference of the Working Party. It was also noted that any contracting parties which felt they were adversely affected could, if they so wished, have recourse to the relevant provisions of the General Agreement.

6. The Working Party showed full understanding of the necessity for the Peruvian Government to increase revenue in order to implement its development programme. It agreed that in the circumstances Peru was justified in maintaining the 10 per cent surcharge as an exceptional temporary measure pending the introduction of the new tariff.

7. As regards the new tariff the Working Party felt that, in view of the position referred to in paragraph 4 above, consideration of any arrangements that might have to be made for renegotiations with a view to establishing the new list of concessions of Peru would best be left until a draft of the new tariff had become available. It agreed, therefore, to recommend that the Council should be authorized to deal with any questions involved in such renegotiations and to make any arrangements that would be necessary in this connexion. The Working Party noted that the Council could, if need arose, be convened at a short notice.

8. In the light of the discussion, the Working Party has drawn up the attached draft decision which it presents to the CONTRACTING PARTIES.
ANNEX

PERUVIAN IMPORT SURCHARGES

Draft Decision

Considering that the Government of Peru has requested authority to maintain, as a temporary measure pending the introduction of a new tariff, the surcharge of 10 per cent ad valorem imposed by Law No. 14729 of 25 November 1963, on imports of products specified in Schedule XXXV - Peru;

Considering that in the implementation of its programme of economic development the Government of Peru has met with an emergency situation;

Considering that the 10 per cent surcharge forms part of a programme of fiscal measures designed to increase general revenue and prevent inflation;

Considering the desire of the Government of Peru to renegotiate, during the course of the trade negotiations scheduled to commence on 4 May, for the establishment of a new Schedule XXXV;

Considering that arrangements for these renegotiations can best be made when a draft of the new tariff has become available;

The CONTRACTING PARTIES,

Acting pursuant to paragraph 5 of Article XXV of the General Agreement and in accordance with the procedure adopted by them on 1 November 1956,

Decide (i) to waive the provisions of paragraph 1 of Article II of the General Agreement to the extent necessary to allow the Government of Peru to maintain, as an emergency measure, a 10 per cent surcharge additional to the duties specified in Schedule XXXV until the end of the twenty-second session of the CONTRACTING PARTIES, or until the date of the establishment of a new Schedule XXXV, whichever is earlier;

(ii) to authorize the Council to deal with any questions involved in renegotiations for the establishment of a new Schedule XXXV, and to make any necessary arrangements for such renegotiations.