1. At its meeting on 16 December 1969, the Council was informed of certain action taken by the Government of Peru within the framework of its import restrictions applied for balance-of-payments reasons (L/3276). The Council considered that this action, which consisted of the addition of a number of products to the prohibited list, constituted a "substantial intensification" of the restrictions and initiated a consultation with Peru under paragraph 12(a) of Article XVIII. The Council further agreed that this consultation should be held as early as practicable in 1970 in conjunction with the regular biennial consultation with Peru under paragraph 12(b) of that Article.

2. These consultations were opened on 19 June and the Committee had before it a basic document supplied by the Peruvian authorities (BOP/104), the notification of 17 November 1969 (L/3276) and material supplied by the International Monetary Fund.

3. Pursuant to the provisions of Article XV of the General Agreement the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with these consultations with Peru. In accordance with the agreed procedure, the representative of the Fund was invited to make a statement. The statement made was as follows:

"The Fund invites the attention of the CONTRACTING PARTIES to the background material dated December 31, 1969 and to the Executive Board decision of April 17, 1970 on Peru's multiple currency practice, taken at the conclusion of its most recent Article VIII consultation with Peru."
"After losses of $24 million and $74 million in the net foreign reserves of the banking system in 1966 and 1967, respectively, the level of reserves increased by $10 million in 1968 and by $42 million in 1969. At the end of 1969 net foreign reserves of the banking system were $163 million, corresponding to about three months of imports in 1969.

"On April 17, 1970 the Fund approved a stand-by arrangement with Peru authorizing the purchase of up to $35 million in foreign currencies over the subsequent twelve months. The stand-by arrangement was in support of a program in which the emphasis of economic policy was to shift from rebuilding external reserves to reactivation of the economy. The objectives and policies of the program were framed to achieve the maximum economic growth and employment compatible with a moderate balance of payments surplus and relative domestic price stability.

"At the present time, the general level of restrictions of Peru which are under reference does not go beyond the extent necessary to stop a serious decline in its reserves."

4. In an opening statement, the representative of Peru outlined the basic economic situation of the country, changes in economic and commercial policy in recent years, and current problems faced by his Government, including structural problems calling for fundamental adjustments as well as foreign exchange difficulties arising from mounting debt-servicing obligations. He described the circumstances which had necessitated the tightening of import restriction in November 1969. However, all the calculations had now been upset and the situation had been unmeasureably aggravated by the serious natural disaster of last month. The damage that had been done to the economy by the earthquake was as yet to be assessed, but there could be no doubt that its impact on the Peruvian economy had been extremely extensive and profound. All efforts were being concentrated on meeting the emergency. The future was impregnated with uncertainty and the Government would have to formulate new policies and adopt new measures after the extent of the damage and the country's needs had been assessed. The full text of this opening statement is contained in an annex to this report.
5. Members of the Committee expressed deep sympathy for the plight of the Peruvian people and for the very serious problems faced by the Peruvian Government. They felt that at this juncture while the primary attention of the Peruvian authorities must be directed towards meeting the urgent needs of the economy it was hardly appropriate for the Committee to prolong this discussion. Although, in terms of the fairly satisfactory improvements in the country's foreign exchange reserve position during the past two years, the CONTRACTING PARTIES could legitimately have expressed concern over the successive extensions of the scope of the import restrictions had this consultation been held earlier in the year, no useful purpose would now be served by an examination of the situation which had been fundamentally altered by the events of last month. Any meaningful examination of the Peruvian restrictions would have to await the return of more settled circumstances. Some members of the Committee felt that, since it had not been possible to conduct a full consultation on Peru's economic and foreign trade policies on this occasion, it might be appropriate for the CONTRACTING PARTIES to seek further consultations with Peru at an earlier date than would otherwise be provided for under Article XVIII. In this regard they noted the view of the Peruvian delegation that, having regard to the magnitude of the problems, the situation was unlikely to become sufficiently clear to warrant a reopening of the discussion within the next few months, but felt that the possibility of some further discussion during 1971 should be left open at this stage. The Peruvian delegation reserved its position on this point and considered that further discussion should be deferred until the next regular consultation became due in 1972. The Government of Peru would, however, be disposed to submit prompt reports to the CONTRACTING PARTIES on any new assessment of the country's foreign exchange situation and any changes in commercial policy. Indeed, the Peruvian Government might well find itself anxious to engage the CONTRACTING PARTIES' attention and to seek their views and assistance with regard to the country's urgent foreign exchange requirements and the possibilities of improving access to foreign markets for its exports.
6. After an exchange of views, the Committee agreed that it should report to
the CONTRACTING PARTIES through the Council that it had taken note of the
information supplied by Peru and that it noted with satisfaction the undertaking
given by Peru to keep the Council informed of developments, especially of any
changes in commercial policy. The Council would keep the situation under review
and could, in the light of any new developments, recommend such action as might
be considered appropriate in implementation of the relevant GATT provisions and
procedures.
ANNEX

Opening Statement by the Representative of Peru

(See Spec(70)74)