OPENING STATEMENT BY THE REPRESENTATIVE OF PERU

1. First of all, I should like to express my gratitude for the sympathy which you have just expressed concerning the disaster of unprecedented magnitude which my country has recently suffered. In an organization like GATT which is fundamentally concerned with the technical and political aspects of trade, my delegation has never been in the habit of making statements which departed from the customary procedures in our Committee. Nevertheless, the disaster which has just occurred in my country has catastrophic implications for our economy and our development and it inevitably affects the statistics and the arguments which we had intended to present (and which indeed we can still present if you wish) to justify the measures which our Government has taken over the past two years in the administrative sector. Prior to the tragedy, my delegation had intended to present its case, beginning by some general considerations of the close relationship between structural changes within the context of economic development and the short-term or long-term measures applied to safeguard my country's economy.

2. When our new Government came to power our country was in an extremely difficult economic situation and a particularly delicate situation in the social field and in regard to all basic structures. To give an example with which I am well acquainted, our external indebtedness had been at the level of approximately $170 million in 1961, but in 1969 that figure corresponded to the amount required for debt servicing, and total external indebtedness represented $859 million. This debt has been restructured and the maturities for 1970, 1971 and 1972 have been postponed to 1977 to the extent of 75 per cent.

3. I must state that for a country in the process of development such as mine, before the restrictions referred to were introduced, imports were designed to meet the needs of a very small sector of the country and consisted of luxury articles and articles that could be replaced by domestic products. Even if consumer preference is an element which should be taken into account, it should nevertheless be subordinate to the national interest.

4. I think you will all agree that certain measures become essential in certain circumstances. There is a time lag of more than a hundred years between our development and that of other countries. All the representatives here are familiar with their own economic history and know how difficult, and in some cases how painful the development of their own country is or has been. That is why I ask for an understanding attitude on their part. Our countries can participate effectively in GATT only if major adjustments are made in our social structures. Where import restrictions are concerned, this is simply one of the manifestations attributable to an inadequately organized economic structure.
5. Now, for the first time in the history of Peru's economy, one can say that little by little we are succeeding in making far-reaching adjustments to those structures. The new tax system is changing certain sectors completely and will enable a larger part of the population to participate in the country's development. Let us take, for example, the exchange control measures that were recently introduced. All countries, including our own, are reluctant to introduce such measures. The exchange control measures adopted are accompanied by penal provisions to ensure their effectiveness. For certain infringements, the penalty is more than five years' imprisonment. As a result of this measure, in only two weeks we have succeeded in recovering approximately $60 million which had been in banks and various funds. People queued up to hand over these dollars, because the measures were in conformity with the national interest and with their own conscience. Nevertheless, of course there are still large sums invested abroad, sums belonging to Peruvians who feel that their future is better assured if they have dollars. I believe that if the country succeeds in stabilizing its economy and if, thanks to structural reforms, it can offer a new attraction to Peruvian funds at present invested abroad, then it will truly have solved part of the problem because larger amounts of hard currency will move back into the country to contribute to its development. We hope that one day our reserves will represent a substantial percentage of our exports; when that time comes, our currency can become freely convertible and we will be able to avoid flight of capital.

6. We have also taken very substantial measures in the field of exploitation of our natural resources. I refer here in particular to the mining sector which is the most important potential sector in America. In future we shall be able to market our products through an organization which we have set up jointly with Zambia, the Congo and Chile. Furthermore, under agreements which we have concluded with various foreign companies, the refining of crude products within the country will become compulsory and this should yield substantial earnings for our economy.

7. I would also like to tell members of this Committee that I have here an eighteen-page report which, until 31 May, constituted our reply to your questions in accordance with the procedure followed in consultations with this Committee. As you know we have presented information in the basic document and I am of course fully prepared to make this lengthy statement if you so desire.

8. I must tell you, however, that all the figures which it contains have now been completely altered as a result of the disaster. To give you an example indicating its magnitude, the area directly affected by the disaster would extend over the Netherlands, Belgium and half of Denmark. One million persons have been directly affected, and more than 3 million indirectly.

9. This gives you some idea of the situation in which we are.

10. To give you another example, when I had to arrange for the financing of our external debt, I negotiated with the Government of the Federal Republic of Germany the debts which we were to reimburse to that Government. Of the more
than $1.50 million involved, a large part was channelled into investments in the iron and steel works at Chimbote, situated at the very spot where the most severe damage occurred. From the human aspect, you know that there have been more than 50,000 victims and, in this same sector, the port of Chimbote was one of the most active fishing centres. All these ports and the iron and steel works were severely damaged in the disaster. That is why I wanted to try to speak about our losses. I can mention 100,000 children who are orphans, and economic losses which are greater than all the forecasts and will probably be in excess of $500 million.

11. Some of the import restrictions introduced by my Government will, as we know, be important for a long time, but we wish to underline the qualitative character of our imports. We expect our imports to be as follows in the coming years. Here are some figures: an estimated increase of 16 per cent in imports - but, I repeat, that was for this year. Imports had been forecast at $759 million, that is to say $104 million more than in 1969. Within these total imports, it was expected that $171 million would consist of capital goods, and $68 million of consumer goods. In relation to 1969, imports of consumer goods would diminish by 8 per cent and this is logical in the context of the development policy. Imports of raw materials, however, were expected to be 2 per cent above the preceding year's level, and this is a logical increase for a developing country. The figures I have just given you will give you an overall view. All of them, however, must be revised because of the disaster. It is our right to decide what we are going to import and what standard of quality we shall accept for the products which we import. I think that no one can claim to be able to force us to import luxury products that can easily be replaced from domestic production.

12. In a country like Peru, which has 13 million inhabitants and an active population of 3 million persons from the economic aspect, it is difficult to see any solution without integration. We reached the conclusion that it was essential to bring closer together the economies of countries which had reached a comparable level of economic development and were in a comparable geographical position, and accordingly we set up the Andean group. This Andean group constitutes a reply to the fact that our domestic market is too small. Through an international distribution of labour, we hope to achieve better rationalization. This brings us to what we call complementarity agreements in the industrial sector. It is in this direction that we see our country's future development.

13. As regards import restrictions, we have applied the following method as regards product categories and percentage rates. The restrictions are applied only on the products listed in the annex to the documents which have been distributed to you. In order to protect consumers, the Ministry of Economy and Finance has been authorized to suspend the import prohibition on certain products as a temporary measure. All this is quite logical, because we want to allow sufficient time to producers of goods, imports of which have been reduced, so that they can produce articles that are competitive in regard to both quality and price. We must protect our domestic industry but in so doing there is a risk that we may be protecting certain other industries which have a certain standing in our domestic market but which supply goods of a quality that is not suitable for the Peruvian consumer.
That is why in some cases we prefer foreign products if our domestic industries are not sufficiently aware of their responsibility and do not offer goods of a quality suited to the needs of the consumer population. In other words, the structural disequilibrium of our balance of payments is a concrete expression of our dependence on other countries. This dependence will begin to change as a result of the implementation of the economic development plan covering the period 1971-77. The fundamental principle underlying this plan is to carry out a social reorganization of the country in order to attain the objective of speeding up the transfer of rural property in accordance with a new system. A few comments are necessary here: the agrarian reform which is looked on with some scepticism, as is only natural, has resulted in a decline in output and in the quality of products. I think this is what happened forty years ago when Mexico embarked on agrarian reform. Mexico had the courage to carry out these measures which are so necessary from the point of view of social justice and for the country's economic development. Our agrarian reform is progressing in a positive way, because we have benefited from the experience of so many other countries which have gone through the same phase of development.

14. In Peru, which has a population of 15 million inhabitants, approximately 25 per cent of the national budget is earmarked for education. The percentage of young people in the overall population is extremely high in relation to other countries, and primary and secondary education is provided free of charge. We have more than 1½ million students and they constitute a tremendous obligation for the State.

15. We have modified the financial system and credit controls; we have introduced self-management of workers. As I have already said, we have adopted the principle of joint marketing. As you know, a Peruvian mission is at the present time concerned with the new policy on fish meal in order to see how we can rationalize production in this sector.

16. The external financing policy is of very great importance. We consider that capital coming from abroad contributes to national development. We believe that the time has come for us to enter into the system of mixed enterprises with a view to making the best possible use of our natural resources. In the context of our social reform, foreign investors will feel better assured than in the old system.

17. So far as the system of import restrictions is concerned, the decrees which had established these restrictions were revoked under the new Decree of 24 June 1968, of which you have received a copy, and which was supplemented by Decree No. 134. The restrictions were extended by a further decree until March 1970, and thereafter extended for an additional period. I do not know whether the Committee would wish me to give detailed information on these restrictions, but I also know that the Committee is aware of the extremely serious problems with which Peru is now faced and I know that it was even contemplated at one time, and most generously, not to hold the consultation or in any case to give us a more or less long postponement so as to allow us to determine the direct or indirect effects of this disaster.
A short period or a postponement of the consultation would, however, simply have amounted to closing one's eyes to the problem of fundamental importance with which we are faced today. Peru has experienced the most terrible disaster in its history, all the plans we have established are severely jeopardized, and already we have requested assistance from financial organizations and technical assistance organizations at international level in order to evaluate the damage and propose appropriate measures.

18. In these conditions, and without prejudice to any questions or remarks which members of the Committee might make and in which we shall take great interest, I should like to make a request to you, Mr. Chairman, in the event that our contribution does not meet the hopes that you may have put in this consultation.

19. Consequently, and having regard to the favourable views expressed by other delegations, I should like to request that the next consultation take place within two years.

20. I thank the Chairman and the members of the Committee, and I hope that my request may be referred to the GATT Council with a favourable recommendation.