

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## PERUVIAN IMPORT CHARGES

### First Annual Report (1959) by the Peruvian Government

1. After the Intersessional Committee of GATT had been notified by the Peruvian Government, the import surcharges established by Law No. 12995 took effect on 28 May 1958. The validity of this Law was the subject of the Decision of 21 November 1958 of the CONTRACTING PARTIES, by which the Peruvian Government was released from its obligations under Article I, paragraph 2, and Article II, paragraph 1, of the General Agreement, in order to enable the said surcharges to be levied on all imported items, including those listed in Schedule XXXV annexed to the General Agreement. The surcharges were justified by the emergency situation with which the Peruvian economy was faced, as is clearly stated in the above-mentioned Decision.

The effects of the import surcharges established by Law No. 12995 have shown that these measures will help to restore the national economy, by contributing to the stabilization of public funds and the balance of payments; present conditions do not, however, permit any reduction in either the level or the field of application of the surcharges.

2. In view of the characteristics of Peru's economic structure, and its relatively limited degree of economic development, the level of foreign trade is a determining factor in the national economy as a whole. The gross national product for the year 1958 is estimated at 33,711 million soles; in the same year, the total value of trade was 14,585 million soles (imports - 7,808 million soles; exports - 6,777 million soles).

In these conditions, price fluctuations on the world market for our basic export products have serious repercussions on the balance of payments and on the country's economy in general. Although there is considerable diversification in Peru's exports, the principal items are the following: minerals and metals (36 per cent of the total value of exports), cotton (24 per cent), and sugar (13 per cent). The remaining percentage is composed of fishery products, coffee, llama wool and other minor items. In recent years, the prices of our basic products - especially cotton, lead, zinc and sugar - have been so low that there has been a very marked drop in foreign exchange receipts.

On the other hand, the value of Peruvian imports continues to rise; these imports are mainly composed of capital goods, foodstuffs and manufactured products which have increased considerably in price, so that it daily becomes more difficult to purchase these items which are essential for the country's economic development and for the growing needs of the population.

3. Statistics of Peru's trade during the period January-June 1959 and the corresponding period in earlier years are as follows:

Imports in 1956 (January-June)	US\$166,575,695
1957	200,529,214
1958	177,940,907
1959	143,348,169
Exports in 1956 (January-June)	US\$144,100,658
1957	152,087,977
1958	133,671,488
1959	133,370,094
Trade deficit in 1956 (January-June)	US\$22,475,037
1957	48,441,237
1958	44,269,419
1959	9,978,075

As can be seen from the above figures, the reduction in the trade deficit is due to a drop in the value of imports amounting to more than 25 per cent between 1957 and 1959; this drop resulted partly from the increase in duties following the introduction of the surcharges, from the rise in exchange rates of foreign currency and, to a certain extent, from a slackening in foreign investment in certain economic sectors to encourage economic development (machinery and other capital equipment). Since, on the other hand, there has been no increase in the value of exports, the prospects for the immediate future cannot be viewed with optimism.

4. As regards Peru's domestic financial situation, it may be stated that, despite the various measures taken by the Government to readjust budgetary expenditure - including the introduction and increase of various taxes - the present situation is still more difficult than a year ago, when the Peruvian Government applied for authorization to levy surcharges on imports.

Among the measures taken to encourage production of petroleum, as well as livestock for slaughter, it became necessary to authorize a considerable increase in the prices of those products on the domestic market, which remain under Government control. These increases led to a rise in the cost of living, which in turn resulted in salary and wage adjustments and, consequently, extraordinary measures have had to be taken in order to finance the budget for 1960 which will shortly be examined by the Peruvian Parliament.

5. The foreign exchange reserves of the Central Reserve Bank are still extremely low, despite the fact that the Bank has used part of the stabilization funds loaned by the International Monetary Fund, the United States Government and banks in that country. Furthermore, the exchange rate, which in 1958 reached an average of 23.30 soles to the dollar (US\$0.042735) fell in July 1959 to 28.54 soles to the dollar (US\$0.034352) and has remained at that level for the past two months as a result of the measures taken.

The Peruvian Government holds regular consultations with the International Monetary Fund on this subject so that officials of that international organization and of the Central Bank can together consider what measures should be adopted within the framework of a monetary stabilization programme which is necessary.

6. There are some favourable factors which may influence Peru's economic development; for instance, the first shipments already made from fresh iron ore deposits; the considerable progress made towards exploiting the copper mines in the southern region of Peru; the drafting of a new General Industrial Law, which is now before the Senate. Having regard to these considerations, the Peruvian Government believes in the policy of free trade and exchange, which allows private enterprise to operate freely without being stifled by controls or restrictions; it also hopes that marketing conditions will improve for our principal export products, which are daily becoming more diversified and are exploited in an increasingly rational manner. The Peruvian Government is confident that within a short time the national economy will enter a phase of real convalescence which will enable it to overcome the present difficulties and readjust its policy regarding import duties in the manner most conducive to the expansion of Peru's foreign trade and the development of its principal economic activities.

7. Since Law No. 12995 became effective, some changes have been made in the rate of surtax levied on certain products, according to their essentiality, the quantity and quality of domestic production, and other factors. These changes, which were made after careful study, in consultation with the Customs Advisory Committee, are the following:

Item 1002      Extract preparations with a basis of aromatic vegetable substances, special for the manufacture of aerated beverages, such as Coca-Cola, Pepsi-Cola, Ginger-ale and other like. Surtax reduced from 200 to 50 per cent. Supreme Decree of 6 June 1958.

Item 1273-1      Special paper for the manufacture of printed cards for statistical machines, in reels up to 4 inches in width and more than 2,000 metres in length. Surtax reduced from 200 to 50 per cent. Supreme Decree of 15 October 1958.

- Item 2785 Statistical, checking and accounting machines, including accessories and spare parts therefor, n.e.m. Surtax reduced from 200 to 50 per cent. Supreme Decree of 15 October 1958.
- Item 2644 Tin-plate stoppers of any kind, for bottles and flasks, including those called crown corks, whether or not with cork discs or rings, with or without inscriptions. Surtax increased from 50 to 200 per cent. Supreme Decree of 14 November 1958.
- Item 1287 Transfer paper known as carbon paper. Surtax increased from 50 to 200 per cent. Supreme Decree of 9 January 1959.
- Item 1300-A Special paper for the manufacture of transfer paper known as carbon paper. Surtax reduced from 200 to 50 per cent. Supreme Decree of 30 June 1959.
- Item 2714 Aluminium prepared for buildings, in any form: structural bars and girders, flat bars, banisters, capitals, columns, stairs, bases, doors, windows and other like n.s.m., assembled or unassembled. Surtax increased from 50 to 200 per cent. Supreme Decree of 30 June 1959.
- Item 2714-f Tubes of aluminium, 4 mm or over in wall thickness, with their respective flanges and accessories, for the erection of scaffolding and for other similar purposes. Surtax increased from 50 to 200 per cent. Supreme Decree of 30 June 1959.
- Item 55 Natural butter, salted or not. Surtax reduced from 200 to 50 per cent. Supreme Decree of 30 June 1959.
- Item 1304 Toilet papers. Surtax increased from 50 to 200 per cent. Supreme Decree of 7 August 1959.
- Item 2974-A Springs of steel for motor vehicles in general, including spare leaves. Surtax increased from 50 to 200 per cent. Supreme Decree of 25 August 1959.

8. In conclusion, it should be pointed out that the Peruvian Government does not intend to resort to the institution of quantitative or qualitative controls or restrictions, but proposes to maintain the present system of free trade and exchange which it considers to be the best method of stimulating economic development in Peru. It realizes that many of the factors which have contributed to Peru's current economic difficulties can be remedied by means of the internal measures for fiscal readjustment and credit

restriction which are at present being studied and applied to the appropriate extent. The Peruvian Government nevertheless considers that one of the principal factors in the present situation is the reduction in foreign exchange receipts caused by the drop in the price of Peru's exports on the world market, and by the import restrictions imposed in certain countries which limit very severely the possibilities of exporting some of our products, such as cotton, sugar, minerals and metals.

In view of the foregoing, the Peruvian Government hopes that the situation will improve and will permit duties and taxes to be applied in a way which will not hinder the expansion of trade; it also hopes that the contracting parties to the General Agreement on Tariffs and Trade will understand and accept its position.