

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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PERUVIAN IMPORT CHARGES¹

Second Annual Report (1960) by the Peruvian Government under Decision of 21 November 1958² as Amended by Decision of 17 November 1959³

1. During the year elapsed since the first annual report was submitted at the fifteenth session of the CONTRACTING PARTIES at Tokyo (document L/1066 of 19 October 1959), the situation of the Peruvian economy has undergone a substantial improvement, which may be ascribed in part to the effect of the surcharges on import duties under Law No. 12995 and of the additional charges under Law No. 13199, applicable to all commodities including those covered by the concessions listed in Schedule XXXV, in accordance with the terms of the Decision of the CONTRACTING PARTIES of 21 November 1958, as amended by the Decision of 17 November 1959.

2. As indicated in document L/1066, the Peruvian economy is very sensitive to the development of its foreign trade, which is one of the factors determining its condition. It is therefore advisable to analyse the latest statistics of Peru's foreign trade, which cover the first eight months of the present year (January to August 1960). The figures are as follows:

<u>Volume</u>		<u>1959</u>		<u>1960</u>
Imports	Metric tons	827,620	Metric tons	1,082,677
Exports	Metric tons	3,276,509	Metric tons	5,584,685
<u>Value in Soles</u>				
Imports	Soles	5,318,624,283	Soles	6,733,413,593
Exports	Soles	5,148,893,501	Soles	7,381,911,742
<u>Value in dollars</u>				
Imports	US\$	193,385,027	US\$	244,874,277
Exports	US\$	188,498,047	US\$	268,631,702

¹ This text supersedes the one issued as document L/1334 on 8 November 1960.

² BISD, Supplement No. 7, page 37.

³ BISD, Supplement No. 8, page 56.

The above-mentioned equivalent values were arrived at on the basis of the following rates of exchange: 1959 - 28.26 soles to the United States dollar; 1960 - 26.93 soles to the United States dollar.

While the period January-August 1960 under reference shows a favourable trade balance to the extent of US\$23,717,425, as compared with a deficit of US\$4,886,980 for the corresponding period of 1959, the fact cannot be overlooked that imports were substantially higher in the first eight months of 1960 than during the corresponding period in previous years. The favourable trade balance is thus not due to a reduction in imports, but solely to an increase in the volume of exports, which in turn resulted in an increase in total value, since prices remained at their previous fairly moderate levels. The products of which exports increased last year were iron ore, copper concentrates and fish meal, while exports of Peru's other basic export commodities, such as cotton, sugar, wool, coffee, fish preserves, petroleum derivatives, copper, lead, zinc and other metals and minerals, remained unchanged.

3. Another feature of the internal economy of Peru during the period January-August 1960 was the stability of the principal economic indices, the rate of exchange of the Peruvian sole remaining at about 27.00 soles to the dollar. The cost of living showed a slight upward trend; during the last few months there was some agitation in certain social sectors for higher wages and salaries, which may bring some pressure to bear on prices and on private and public finances. The foreign exchange position of the Central Reserve Bank of Peru has also improved since 1959, its current reserves amounting to approximately \$37 million.

Present conditions, therefore, show a change for the better as compared with those prevailing in 1958, which were described in document L/898 of 31 October 1958, and which led to the introduction of the surcharges on imports, in accordance with the opinions expressed in this connexion by representatives of the International Monetary Fund.

4. In view of the conditions set forth above and in compliance with the conclusions and conditions laid down in the Decision of the CONTRACTING PARTIES of 21 November 1958, the Peruvian Government initiated the withdrawal of the surcharges levied under Laws No. 12995 and 13199 by promulgating Supreme Decree No. 13 of 3 June 1960, the text of which was brought to the knowledge of the CONTRACTING PARTIES with document L/1259 dated 28 July 1960.

In accordance with this Decree, exemption from import surcharges is granted in respect of passenger automobiles, the unit price of which does not exceed 60,000.00 (US\$2,200) f.o.b. port of shipment and which are not considered as luxury vehicles. Similar exemption from surcharges is allowed in respect of a group of headings covering the following: tools and appliances for use in arts and crafts; typewriters, accounting, statistical and census-recording machines and other office machines; lifts, cable railways, cranes, mechanical shovels and machines for the building trade; textile and printing machinery; sewing machines; machine-tools; air compressors; lorries and omnibuses; spare parts for motor vehicles, bicycles, tricycles and motor-cycles; trailers for goods transportation and others. Out of the group of eighty items included in this exemption, fifty are listed in Schedule XXXV of GATT concessions granted to Peru.

5. Notwithstanding these encouraging aspects of the economic situation of Peru, it cannot be said that the country has achieved a complete recovery, for there are various elements, both in the international and the domestic sectors, which still require to be attended to or checked.

In the international sector, for example, several consumer countries are threatening to enforce prohibitive duties on imports of fish meal produced in Peru. Furthermore, there are no signs of improvements in quotas, or of relaxation of restrictions; nor of recovery in the prices of the major export commodities, such as sugar and metals. There is also greater competition from other raw-material producing countries and an increase in the domestic production of industrial countries, resulting in a limitation of their import markets.

As regards the domestic sector, there is the growing need for foreign exchange for the purpose of importing machinery and equipment which are essential for the economic development and the expansion of production stimulated by the recent promulgation of the Industrial Promotion Law No. 13270; and there is an increased need for housing, roads and other equally essential public works; and lastly the necessity of re-adjusting wages and salaries, including those of teachers and civil servants.

6. The Government of Peru, being fundamentally concerned to maintain the present level and trends of the country's economy, has taken particular pains to avoid budgetary deficits, as they might jeopardize the completion of the programme of currency stabilization and the safeguarding of the exchange rate of the Peruvian sole and the Central Bank's reserves. To achieve this goal, it is essential to maintain the level of fiscal revenue, part of which consists of the proceeds of import charges and surcharges.

On the other hand, it is realized that emergency measures such as the levying of the import charges and surcharges referred to in the present report should gradually be brought to an end, over a reasonable period of time, as too sudden a change of system might entail disruptions detrimental to many productive activities and to the national economy.

For these reasons, and also in view of the fact that the surcharges have not brought about a decrease in the volume or the value of imports, but merely a change in their composition, and that they had a favourable effect on the country's economy, the Government of Peru has decided to request from the Legislature authority to extend the period of application of the surcharges; and it now requests the CONTRACTING PARTIES to consider an extension of the Decisions of 21 November 1958 and 17 November 1959.

7. In conclusion, the Peruvian Government confirms paragraph 8 of document L/1066 in which it expressed its sincere intention to continue to pursue, to the best of its ability, its present policy of freedom of trade and exchange. In conformity with that policy it has suspended, under Supreme Decree of 16 May 1959, the system of export licences whereby exporters were bound to deliver to the Central Reserve Bank the foreign exchange proceeds from their

exports sales. Moreover, it wishes to reiterate its opinion that this policy is the most appropriate means of stimulating the country's economic development, and that, provided present world trade conditions continue, it will be able to maintain the rate of progress of its economy without having to have recourse to controls or qualitative or quantitative restrictions.

In consideration of the foregoing, the Peruvian Government hopes that the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade will understand and accept its position, will approve the present report and will accede to its request for an extension, for a further period, of the Decisions of 21 November 1958 and 17 November 1959, thus making it possible for the import surcharges to be gradually abolished in a way which, while complying with GATT principles, will not cause unnecessary harm to the country's major activities.

The Peruvian Government has given conclusive proof of its moderation and good faith in the application of the essential measures required to strengthen the national economy, increase production and improve the standard of living and the purchasing power of the Peruvian people.