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## PERU

Statement Circulated by H.E. Mr. Gustavo Caillaux,  
Minister for Industry, Tourism, Integration and International Trade Negotiations

Since 1990, Peru has carried out a thorough legal and institutional reform in a context of economic stabilization, economic liberalization and free markets. In this framework, the Government carried out a stabilization programme aimed at restoring macroeconomic equilibria and controlling inflation. The chief measures adopted in the drive for stability included liberalization of private-sector prices and wages, adjustment of public-sector prices and charges, downsizing of the public-sector payroll, fiscal and monetary discipline, exchange-rate unification and liberalization, elimination of trade and financial subsidies to exports, simplification of the tariff system to two rates (currently 12 per cent and 20 per cent), elimination of all international trade prohibitions and restrictions, elimination of all restrictions on capital flows, liberalization of interest rates, and strengthening of the supervision of the financial system. All this has helped to eliminate the anti-export bias, raise productivity and foster the spread of technology through relatively cheaper imports of capital goods and foreign credits.

Seven years after the stabilization programmes and reforms were launched, the results show that great strides have been made. Inflation has been brought down from 7,650 per cent in 1990 to under 9 per cent in 1997, close to the international level. Meanwhile, production activity has been steadily picking up since 1993, when GDP grew by 6.5 per cent, with a rate of about 8 per cent in 1997. Likewise, net international reserves, with a negative balance of US\$100 million in mid-1990, are now in excess of US\$10,000 million, while at the same time the country has also managed to settle its debt payment arrears with international financial institutions such as the IDB, IMF and World Bank, and debt with the Paris Club governments, which totalled US\$14 billion (70 per cent of aggregate debt) in 1990; and finally in 1997 agreed on a Brady Plan with international commercial banks.

The primary objective of this process of reintegration carried out since 1990 was not just to obtain a positive net inflow of resources from international financial institutions, but rather to normalize relations with those institutions and reduce Peru's country-risk so as to make it a potential recipient of financial and production investment.

These reforms have helped, and will help even more, to boost Peru's foreign trade. Thus, the flow of exports of goods and services has risen from US\$4,120 million in 1990 to US\$8,372 million in 1997, headed by exports of copper, fishmeal, tourism, gold, textiles and zinc, in that order. Finally, as for direct investment, foreign firms have had a major share in the process of privatization, and there have also been purchases of Peruvian firms by foreign companies as well as the establishment of new firms. We expect this trend to develop in the coming years.

With regard to the implementation of the Uruguay Round Agreements, the "built-in agenda" and the subjects stemming from the Singapore Ministerial Conference Declaration, we wish to make the following remarks.

### Liberalization of services

The liberalization of trade in services is a matter of particular interest to Peru. In the context of the reform process begun in 1990, my country has unilaterally liberalized its services market, thereby not only promoting competition and widening the choice available to final consumers, but also enhancing the competitiveness of domestic producers of goods and other services, so that they can meet the stringent requirements of international markets. Thus, Peru significantly increased its offer on financial services and basic telecommunications, and looks forward to the negotiations scheduled for the year 2000.

It is also worth highlighting the importance of the tourism-related services. Tourism is an increasingly important sector owing to its astonishing growth rate, as a major source of foreign exchange earnings for developing countries in particular, and because it brings in a range of related services such as air transport, telecommunications, accommodation services together with related food services, as well as sporting, cultural and recreational activities. Here we believe that the scheduled negotiations and the broad liberalization achieved in this sector will contribute to balanced and competitive growth of tourism, thereby promoting job creation, the development of depressed areas and the best possible conservation of the cultural heritage of the host countries.

### Competition and trade

It is particularly important to continue studying the interaction between trade and competition policy. In principle, by reducing tariffs and non-tariff barriers to trade, new opportunities are created and international competition is expanded, thus fostering innovation and efficiency in the countries taking part in trade. We consider that trade should be governed by market rules, so that the competitive advantages and efficiency of each producer determine how successful it is in international competition.

To this end, we must spur on the activities of the Working Group on the Interaction between Trade and Competition Policy. The aim is to design competition regimes within the multilateral order capable of preventing or in any case sanctioning possible anti-competitive behaviour by firms that wield great economic power, thus ensuring that this type of behaviour does not nullify the benefits created by multilateral trade liberalization for the sound functioning of markets and the consumer society worldwide.

### Investment and trade

We must also continue studying the relationship between trade and investment in order to achieve within the WTO a comprehensive and balanced treatment linking investment with economic development and growth, while also taking into account that the application of incentives and even specific restrictive trade measures affect investment decisions. Thus, the progress being made within the WTO is of particular importance, in view of the stalled negotiations for the adoption of a multilateral investment agreement in the Organization for Economic Cooperation and Development (OECD).

### Dispute settlement

The implementation of clear and precise rules governing trade relations among countries provides legal security for private international transactions. The establishment of the World Trade Organization and entry into force of the Agreements contained in the Uruguay Round Final Act have bolstered confidence in the multilateral trading system, with the creation of an Organization that has legal personality, a stable and predictable legal framework for international trade relations, and an integrated and efficient dispute settlement system to ensure compliance.

We welcome the work of the WTO Dispute Settlement Body, since it has helped to strengthen credibility as well as the ability of small countries such as Peru to take action to invoke fulfilment of the established rules and the commitments agreed through the system. We hope that strengthening this mechanism will be a priority item on the multilateral agenda.

#### Agricultural negotiations

Peru also attaches special importance to the preparation of the forthcoming negotiations on agriculture. We believe that agricultural reform, of which the first step is the Agreement on Agriculture that we have been implementing since 1995, is a continuing process aimed in the long-term at achieving a market-oriented agricultural trading system in which developing countries can compete on fair terms. We therefore think it is fundamental that the future discussions should take into account (a) the need to incorporate a substantive improvement in market access opportunities for agricultural tropical products, which are of particular interest to my country; (b) measures to encourage diversification away from crops for the obtention of illegal drugs; (c) prompt and effective implementation of the Decision on net-food-importing developing countries; and no less important, (d) emphasis on special and differential treatment for developing country Members as provided for in Article 20 of the Agreement on Agriculture.

#### Small textile suppliers

Peru has long been an efficient producer of high quality textiles and clothing, which is why we place emphasis on the need for full implementation of the Agreement on Textiles and Clothing, particularly the clauses referring to small suppliers. In addition we are concerned at the use of protectionist measures against textiles products that are being integrated into the GATT 1994. We are also interested in the possibility of initiating tariff-cutting negotiations in the textile and clothing sector.

We think it is necessary to mention the desirability of concluding satisfactorily the programme of harmonization of rules of origin, so as to have transparent, clearly defined and multilaterally agreed rules.

#### Customs valuation and preshipment inspection

We wish to stress the importance of the transition periods allowed in the Uruguay Round for developing countries. As regards customs valuation, for example, this right allow us to implement the Customs Valuation Agreement in a manner that is less traumatic and more in line with the fiscal policy objectives needed for the country's development. Likewise, as regards preshipment inspection, we consider that the Agreement has suitably safeguarded national interests against harmful practices such as customs undervaluation, in keeping with the principles of non-discrimination and transparency, while respecting the interests of exporting countries. We believe that the exchange of views carried out within the Working Party on Preshipment Inspection will help to achieve a better understanding of national systems, in accordance with the spirit of equity reflected in that Agreement.

Lastly, I should like to take the opportunity of this second Ministerial Conference of the WTO, held in parallel with the 50th Anniversary of the multilateral trading system, to mention that Peru has been an active participant in GATT activities since 1951 and will continue to participate constructively in the WTO.

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