

GENERAL AGREEMENT ON TARIFFS AND TRADE

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INTRODUCTION

The main feature of the trend in the Peruvian economy during 1981 was the slow process of economic recovery and gradual control of the sources of inflationary pressure. The rate of inflation measured by accumulated value over the twelve months of 1981 was 73 per cent.

The exporting sector found its level of activity contracting during the year in question, mainly because of the persistent fall in prices for the main export products. The contraction recorded in the exporting sector not only made it impossible to achieve an adequate rate of growth but also affected public finances and the balance of payments.

The combination of lower revenue from imports and a higher level of imports - the latter associated with the process of reactivation of internal production - brought about a considerable deficit in the balance of payments on current account, equivalent to 8 per cent of the gross domestic product.

The lower level of external public debt during the year meant that only 64 per cent of the deficit on current account was financed through capital movements, bringing down the level of the international reserves of the banking system, which at the end of the year 1981 stood at US\$771.4 million, a considerable decline from the figure for 1980, namely US\$1,276.1 million.

The variation in interest rates during the year, directed towards providing positive real margins in this variable, helped to increase the lending basis of the financial system and to reduce inflationary pressure, by encouraging greater participation by remunerable financial assets in the total liquidity of the national currency.

In 1982, the economy showed a slow-down in the level of economic activity combined with a high rate of inflation and a measure of recovery of international reserves.

¹Material supplied by the Peruvian authority.

In the face of the prolonged international recession and the steady fall in prices for the main export products, reinforcement was given to the application of a programme of internal adjustment of the economy to protect the level of reserves, and this called for the maintenance of a policy of moderate expansion of credit and liquidity and a gradual rise in the real exchange rate.

The overall growth rate of the economy was only 0.7 per cent. Production geared mainly to exports grew in the course of the year, in spite of the contraction of external demand, mainly as a result of the lower incidence of labour disputes in the mining sector and measures in favour of exports. Inflation was at approximately the same level as in 1981, namely 73 per cent.

The policy of gradually raising the real exchange rate was aimed at encouraging exports and contracting imports. However, the increase in public expenditure prevented any reduction in the deficit on current account, which remained at the level of 8.3 per cent of the product recorded in 1981. This deficit was covered mainly by external debt, which even made it possible to record a recovery of international reserves in the banking system of some US\$904 million.

At the beginning of the year, it was decided to raise the maximum interest rate to 55 per cent, and the period of capitalization was liberalized.

With regard to the import régime, one of the chief changes made in 1982 was the reduction of tariff rates and total tariff exemption for certain products, inputs, and capital goods used in agriculture. Special mention should be made of the waiving of the general sales tax and of all charges on imports of products for use in agriculture, provided they do not compete with national production. The legal instrument governing this runs from the present year until 1999.

At the end of 1982, 1.2 per cent of the tariff universe did not pay tariffs, 12 per cent had ad valorem duties under 10 per cent, half the items came within the range 11 to 30 per cent, and 20 per cent were subject to ad valorem duties of between 50 and 60 per cent.

Within the framework of the quasi-tariff policy applied during 1981 and 1982, the few remaining restrictions on imports basically affected inputs. On the other hand, it was essential to introduce a number of changes in the list of products subject to the requirement of prior import licensing.

At the end of 1981, licences were still required for 111 products under observation. These were mostly agricultural inputs, paper, fertilizers, etc., and there were six items fewer than in 1980. In 1982, prior licensing was established for nine items concerned with nuclear

products and for twenty-six items relating to iron and steel. The purpose of this was to offset in part the drop in exports witnessed in the trade balance and thus to improve the balance-of-payments situation. Finally, in February 1983 twenty-eight items were removed from the list of products subject to prior import licensing.

In January 1982, a 15 per cent surcharge was established on the c.i.f. ad valorem tariff, applicable to the tariff universe. In March 1983, this surcharge was replaced by a temporary 10 per cent charge which will cease to be applied on 31 December 1983.

BACKGROUND OF THE 1979 AND 1980 BALANCE OF PAYMENTS

During the years 1979 and 1980, Peru recovered its economic equilibrium to some extent in the external sector, which during the previous years had been characterized by persistent overall balance-of-payments deficits. The cause of these deficits was the international economic crisis which adversely affected the internal financial system, causing a scarcity of foreign currency, negative figures for net international reserves, uncertainty in the foreign exchange market, and restricted access to external credit.

The external sector in Peru was able to consolidate its recovery to some extent with surpluses in the balance of payments for 1979 and 1980 of US\$1,579.9 and US\$722.3 million respectively. As we know, the net international reserves of the banking system had a deficit of US\$1,025.1 million towards the end of 1978 and in 1979 and 1980 positive balances of some US\$555.8 and US\$1,276.1 million respectively.

The implementation of an economic and financial programme in Peru in 1979 and 1980 enabled positive results to be achieved in the balance of payments; this was made possible by the fact that the programme embraced various policy matters related to the foreign sector, such as the exchange policy decision on the sol in relation to the dollar, aimed at reducing its unduly high exchange rate, an increase in interest rates designed to promote the harvesting of resources from domestic savings for use in high-return investment, and the fiscal austerity measures imposed by the State and para-State sector which made it possible to some extent to reduce the public sector deficits.

Another feature to be observed during the biennium in question in regard to the programme was the restructuring of the external debt, which made it possible to re-finance short-term payments and to re-direct the new credit arrangements towards high-return projects. It should be noted that as soon as sufficient foreign currency was available, a large proportion of the bonds were pre-paid, with consequent improvement in Peru's credit image.

TREND IN THE BALANCE OF PAYMENTS DURING THE BIENNIUM 1981-1982

The balance-of-payments situation

In the light of the favourable overall results obtained in the balance of payments for the biennium 1979-1980, it was felt that during the succeeding years the slow economic recovery begun in Peru during the previous years would persist. However, in 1981 the balance of payments showed a decidedly negative trend, the final figures showing a deficit balance of US\$504 million. In 1982, the overall level of the final figures for the balance of payments tended to increase, and there was a surplus of some US\$132 million.

The combination of lower export prices in 1981 and a decided increase in imports resulted in a deficit of US\$1,728 million in the balance on current account. In 1982, under the same heading, the final figure showed a deficit on US\$1,649 million, which is explained by the increase in payments for debt servicing and deficits in the trade balance for the biennium in question. The results of the balance on current account for the biennium were financed in the amount of 64 per cent representing net capital earnings and long-term loans, mostly to the private sector, in 1981, and of 77 per cent from long-term capital flow in 1982. During the biennium under review, the net international reserves of the banking system amounted to US\$771.4 and US\$904.1 million respectively.

In the years 1981 and 1982, the Government established priorities with a view to achieving a balance in the external accounts and endeavouring to increase international reserves. To this end, moderate policies were applied in the fiscal and monetary fields, their mechanism being directed towards achieving real parity between the Peruvian sol and the dollar.

With regard to exchange policy, the Central Reserve Bank issued resolutions on foreign exchange designed to increase the availability of currency for current operations on the exchange market. Thus there was a reduction to the point of elimination in the proportion of non-negotiable ninety-day foreign currency certificates, issued against currencies earned from traditional exports, and in the percentage retained in Peruvian currency for credits from abroad.

In 1982, the foreign exchange resolutions were aimed at the exporting sector and at underpinning the currency market. With this in view, the percentage of freely available currency was increased from 10 to 15 per cent of the f.o.b. value, and a new arrangement was introduced for granting export credits on the basis of short-term capital earnings on account of future exports.

I. Development of the main components of Peru's balance of payments,
1981-1982.

A. Trade balance

1. Exports

- (a) Mining products
- (b) Crude oil and derivatives
- (c) Agricultural products
- (d) Fisheries products
- (e) Non-traditional products

2. Imports

- (a) Capital balance
- (b) Raw materials and intermediate products
- (c) Principal foodstuffs

B. Balance of services

C. Long-term capital balance

II. Overall import régime

- (a) Import régime
- (b) Special import cases
- (c) Tariffs and other charges
 - (c.1) Ad valorem duties, c.i.f.
 - (c.2) Import surcharge
 - (c.3) FOPEX taxes
 - (c.4) Sea-going freight duties
- (d) State entrepreneurial activities

III. Statistical annexes

I. DEVELOPMENT OF THE MAIN COMPONENTS OF PERU'S BALANCE OF PAYMENTS,
1981-1982

The basic net balance produced deficits of the order of US\$1,080 million in 1981 and US\$396 million in 1982, the former being the largest deficit in the last decade. These figures contrasted significantly with the large surpluses achieved during the period 1979-1980, reflecting the considerable deterioration suffered by the country's external sector.

The development of this balance-of-payments account was closely related to the trend observed in the balance on current account, where the deficit for the years in question amounted to US\$1,728 million and US\$1,649 million respectively, drastically reversing the trend observed during the biennium 1979-1980.

The decidedly unfavourable situation of the balance on current account was largely determined by the adverse trend in the Peruvian economy in regard to the international markets, with a persistent decline in the prices of the main export products and higher levels of interest rates. These factors brought about a drastic fall in currency earnings from exports and higher charges for debt servicing respectively. In addition, imports were at a higher level, this being related to the higher levels of domestic business activity in a context of trade liberalization.

The long-term capital balance stood at US\$648 million for 1981, an increase of 40 per cent over the previous year. Nevertheless, it was only possible to finance 38 per cent of the deficit in the balance on current account from this source. During 1982, net capital earnings virtually doubled as compared with the figures for 1981, making up some 76 per cent of the gap on current account.

The surpluses obtained in the long-term capital balance were due mainly to the higher inflow of public capital as a result of one of the greatest investment efforts of the last decade. Mention may be made at the same time of the significant increase in private capital as a consequence of the higher net direct investment balances and greater indebtedness of the private sector vis-à-vis the outside world, the latter factor being connected with its higher levels of imports of capital goods made possible by the process of trade liberalization initiated during the period 1979-1980.

Likewise noteworthy during the period under review is the growing trend of the short-term capital inflow, which amounted to US\$555 million in 1981 and US\$515 million in 1982. In 1982, the net capital flow, short-term and long-term, actually brought about a surplus in the balance of payments of US\$124 million, whereas in 1981 there was a loss in reserves of US\$504 million.

A. TRADE BALANCE

During the period 1981-1982, the trade balance showed an average deficit of US\$524 million, in decided contrast to the positive balances recorded in previous years. This reflected a combination of the significant decline in the values of exports together with the falling-off in the prices of our main export products, and the increase in imports in the context of the trade liberalization initiated during the period 1979-1980.

1. Exports

The value of Peru's exports during the biennium 1981-1982 fell by US\$1,050 million (14 per cent) in comparison with the period 1979-1980. This is explained by a series of adverse factors, including in particular:

- Drastic reductions in international quotations for our main traditional export products;
- Recession in the industrialized countries which constituted our main export markets;
- Imposition of restrictions on our non-traditional export products;
- High interest rates prevailing in the international market and affecting the demand for our mining products;
- Loss of competitiveness in the market of the European Economic Community as a result of the constant revaluation of the dollar in relation to the EEC currencies.

EXPORTS F.O.B. BY MAIN PRODUCTS
(US\$ millions)

	<u>1979</u>	<u>1980</u>	<u>1981*</u>	<u>1982*</u>
I. Mining products	1,504	1,755	1,420	1,257
II. Petroleum and derivatives	652	792	689	719
III. Agricultural products	328	226	170	218
IV. Fisheries products	256	195	141	202
V. Other traditional products	126	103	128	135
<u>Sub-Total</u>	<u>2,866</u>	<u>3,071</u>	<u>2,548</u>	<u>2,531</u>
VI. Non-traditional products	810	845	701	762
<u>TOTAL</u>	<u>3,679</u>	<u>3,916</u>	<u>3,249</u>	<u>3,293</u>

* Preliminary

Source: Central Reserve Bank of Peru.

(a) Mining products

The value of exports under this heading in the biennium 1981-1982 represented 41 per cent of total value of Peru's external trade, as compared with 43 per cent for the previous biennium. During the period under review, exports of these products were the item most affected, showing a decline of US\$582 million over the 1979-1980 biennium, mainly as a result of the drastic fall in international quotations, combined with the world recession and the high international interest rates which affected the demand for minerals. Thus, because of lower prices alone, there was a shortfall of US\$701 million, taking as a base of reference the average prices for the biennium 1979-1980. In the case of copper, this meant a reduction of US\$326 million, quotations in 1982 reaching their lowest level in the last twenty years.

The effect of prices in the case of lead accounted for a loss in revenue of US\$313 million, with a drop of 42 per cent in the average level of quotations as compared with that for the preceding biennium.

Refined silver was another of our minerals which suffered a significant decline. In this instance, as a result of the falling-off in quotations on the world market, Peru earned US\$268 million less.

(b) Crude oil and derivatives

The export value of these products during 1981-1982 showed a decline of only 3 per cent over the previous biennium, even though we exported 4 million barrels less. The main explanation for this is the higher average prices obtained during the period (US\$33 per barrel) as compared with those for 1979-1980 (US\$31 per barrel).

(c) Agricultural products

This export item, consisting of cotton, sugar and coffee, fell by some 30 per cent as compared with the period 1979-1980, which for Peru meant US\$166 million less in revenue for sales abroad, mainly because of the fall in prices for these products on the world market. If the 1979-1980 prices had been maintained, earnings for these exports would have been US\$127 million higher.

Coffee was the main agricultural product affected by the drop in quotations, falling to an average price US\$155 per quintal during 1979-1980 to US\$114 per quintal during the period under review, mainly because of the maintenance of a high level of supply throughout the world combined with the recovery of Brazilian production. The variation in price of the product meant that its export value was reduced by US\$78 million during the biennium 1981-1982.

The average selling price obtained for exports of cotton also showed a decided downward trend, as may be seen in Annex 2; and this continued throughout the first quarter of 1983.

During the period under review, the average price fell by 27 per cent, thus causing a decline of US\$56 million in the export value.

(d) Fisheries products

Exports of fishmeal were seriously affected owing to the considerable growth in world supply of substitute products, including soya. Thus whereas during the biennium 1979-1980 the average price of fishmeal was US\$430 per tonne, during the period under review it fell to US\$388 per tonne. This, combined with the drop of 13 per cent in the volume of exports, resulted in lower foreign currency earnings in the amount of US\$108 million.

(e) Non-traditional products

The value of Peru's non-traditional export trade during 1981-1982 represented 23 per cent of total Peruvian sales abroad, the percentage being something like that of the previous biennium. However, exports under this heading showed a decline of 12 per cent, equivalent to US\$192 million less in revenue for the country as compared with that earned during 1979-1980.

The essential explanation of the above is the adoption of protectionist cuts on the part of several governments, because of the recession affecting international trade and the revaluation of the dollar in relation to other currencies, which meant that Peruvian products lost competitiveness abroad.

2. Imports

Peru's imports during the biennium 1981-1982 grew by 50 per cent as compared with the period 1979-1980, when we introduced a gradual process of liberalization of imports. This liberalization process continued during 1981-1982, the existing legislation being amended to make goods more readily available within the country in accordance with the anti-inflationary programme set up by the Peruvian Government, and with the higher levels of business activity in the Peruvian economy recorded during the period.

Thus during the biennium 1981-1982, the quasi-tariff policy was so arranged that the few remaining restrictions basically affected inputs produced locally, and we continued to cut down the list of products subject to prior import licensing, so that of the 140 products included at the end of 1982, twenty-eight had been excluded by February 1983.

Outstanding among the tariff policy measures adopted during 1981 was the reduction in the mean nominal tariff from 34 per cent to 32 per cent. During 1982, this policy was continued, so that a certain reduction was enjoyed by a number of agricultural products, including inputs and capital goods for industry. At the same time, total exemption was granted for

thirty-three items corresponding to inputs and capital goods for agricultural use.

	<u>IMPORTS F.O.B.</u> (US\$ millions)			
	<u>1979</u>	<u>1980</u>	<u>1981</u> *	<u>1982</u> *
I. Capital goods	677	1,128	1,496	1,472
II. Raw materials and intermediate products	736	915	1,113	1,036
III. Principal foodstuffs	231	411	489	359
IV. Other consumer goods	104	253	400	415
V. Miscellaneous and adjustments	206	383	304	505
TOTAL	<u>1,954</u>	<u>3,090</u>	<u>3,802</u>	<u>3,787</u>

* Preliminary

Source: Central Reserve Bank of Peru.

(a) Capital goods

Imports of this type of goods showed an increase during the biennium 1981-1982 of some 64 per cent compared with the period 1979-1980. The dynamic nature of this import item was due mainly to the great public investment effort which took place during 1981-1982, when the highest figures for the last ten years were recorded, and also to the significant process of capitalization of the economy by the private sector. In this connection, it may be mentioned that the import liberalization policy enabled obsolete machinery to be renewed and fixed assets to be purchased, thus making it possible to cope with the new levels of economic activity in Peru and at the same time to achieve a more competitive type of production.

(b) Raw materials and intermediate products

During the period under consideration, these types of imports increased by 30 per cent over the biennium 1979-1980. This was due mainly to the high level of imports carried out during the period 1981-1982 by the industrial sector. It should be noted, however, that over this last year the values showed a slight decline as a result of the contraction of industrial activity.

(c) Principal foodstuffs

Imports of food during the biennium 1981-1982 increased by US\$206 million (32 per cent). However, this increase is explained essentially by what happened in 1981, when Peru had to import large quantities of rice and sugar to cover the deficit in domestic production occasioned by the drought affecting the regions where these products were cultivated.

It should also be mentioned that during 1981 there was a significant increase in quotations for the principal foodstuffs, a trend which was reversed in 1982.

A. BALANCE OF SERVICES

This balance-of-payments account maintained the rising trend of its traditional deficit during the biennium 1981-1982, reaching an average level of US\$1,329 million per year, as against US\$998 million for the period 1979-1980.

Payment of interest on the external public debt and remittances of profits earned by direct investment undertakings explain the behaviour of the financial services. In the former case, the high interest rates which prevailed in 1981-1982 in the capital market generated a greater outflow of currency under the heading of interest on the public debt. Added to this was the lower level of interest obtained on Peruvian placements abroad, together with the lower average level of holdings of international assets during 1982.

On the other hand, although to a smaller extent, we find that the private sector's investment flows were also affected, especially those of oil undertakings, which had to face a market depressed by world-wide over-production and the considerable increase in stocks over the period.

The deficit in the non-financial services increased substantially, essentially because of the greater net outflow for freight charges, occasioned by higher level of imports, and for miscellaneous services.

BALANCE OF SERVICES
(US\$ millions)

	<u>1979</u>	<u>1980</u>	<u>1981*</u>	<u>1982*</u>
I. <u>FINANCIAL SERVICES</u>	<u>-931</u>	<u>-909</u>	<u>-1,019</u>	<u>-1,012</u>
1. Public investment earnings	-490	-479	-533	-618
2. Private investment earnings	-441	-430	-486	-394
II. <u>NON-FINANCIAL SERVICES</u>	<u>10</u>	<u>-165</u>	<u>-317</u>	<u>-310</u>
1. Freight	-33	-107	-119	-120
2. Travel	143	185	86	46
3. Miscellaneous services	-14	-82	-124	-117
4. Other	-86	-161	-160	-119
III. <u>TOTAL BALANCE OF SERVICES</u>	<u>-921</u>	<u>-1,074</u>	<u>-1,336</u>	<u>-1,322</u>

* Preliminary

Source: Central Reserve Bank of Peru.

C. LONG-TERM CAPITAL BALANCE

The increasing demand for capital by developing countries such as Peru means that the long-term balance is as a rule in surplus when resources are available in the international financial system. This is clear if we note that during the biennium 1981-1982, the balance was US\$783 million more than during the previous biennium. The main factors contributing to this effect were the higher net earnings under the heading of official loans, which recorded an increase of 41 per cent over the period 1979-1980.

However, it is important to point out that the operations of the private sector have also shown a significant upward trend. Thus during the biennium 1981-1982 the capital movement in the private sector represented 25 per cent of the total capital balance, whereas during the biennium 1979-1980 the figure was only 12 per cent. This was made possible by the higher net figures for direct investment and by the higher levels of net indebtedness of the Peruvian private sector vis-à-vis the outside world as a result of the higher level of their imports of capital goods.

II. OVERALL IMPORT REGIME

(a) Import régime

Because of the changes introduced in 1980 in the import policy, it may

be said that in principle, import trade in Peru is free and that approximately 95 per cent of the tariff universe is not subject to restrictions of any kind.

The import operations are effected directly by the importer, the trade bank and the customs agent. Products for importation must be new and must not be included in the list of products subject to import prohibition or restriction.

In 1982, the final regulation of a general nature establishing the obligation on the part of the importer to be registered in the National Register of Importers was lifted. At the present date, only 125 tariff items out of a total of 5,137 are subject to import restrictions. Of these, eight are prohibited for import, namely: articles used for fireworks; uncarded and uncombed wool; cotton lintens; cotton waste; carded or combed cotton; firearms; and parts of firearms, projectiles and ammunitions of war.

The other 117 items are subject to prior import licence, an arrangement based on the criterion of rationalizing domestic supply and/or the need to regulate the marketing of certain products whose destination must be controlled by the State in the exercise of its function of protecting society.

Broadly speaking, the headings subject to prior licensing are:

- Some food products
- Ethyl alcohol
- Tobacco and some tobacco products
- Petroleum fuel and some derivatives
- Some chemical and pharmaceutical products
- Some fertilizer elements
- Some papers and paperboards
- Postage stamps and other items of value
- Coins
- Some products of the iron and steel industry
- Some types of water craft.

Prior import licences are granted by the Ministry of Economy, Finance and Trade, through the Directorate-General of Foreign Trade. In order to obtain a licence, the importer must submit an application for a prior licence, together with a document certifying the commercial transaction and a favourable opinion from the sector concerned, which is indicated in each instance in the list of products subject to prior licensing contained in Annex 5.

Once the prior licence is obtained, the procedure is similar to that for a freely-imported product.

(b) Special import cases

With a view to the protection of the consumer and because of the need to regulate the marketing of certain products, there are six cases in which imports require a prior report from the sector concerned, namely: imports of used goods (generally capital equipment) which require certification of non-competitiveness with national products by the sector in question; imports of periodicals, which require prior evaluation of the Ministry of Education; imports of pharmaceutical products, cosmetics and perfumery for human use, which require the prior enrolment of the importer and registration of these products with the Directorate-General of Pharmacy of the Ministry of Health; imports of veterinary products, which require the enrolment of the importer and registration of the product with the Directorate-General of Agriculture and Livestock of the Ministry of Agriculture; and imports of pesticides for agricultural use, which require enrolment of the importer and registration of the product with the Directorate of Agricultural Promotion of the Ministry of Agriculture.

(c) Tariffs and additional duties

Imports are subject to the application of the following duties:

- c.1. Ad valorem duties, c.i.f., with a maximum, according to the circumstances, of 60 per cent.
- c.2. The import surcharge imposed by article 13 of Act 23337 and prolonged until 31 December 1983, equivalent to 10 per cent of the c.i.f. value of the goods imported. Exceptions are imports made by the State, gifts, imports under a franchise deriving from international commitments, and imports of products totally exempted by the Customs Tariff.
- c.3. The tax benefiting the Fund for the Promotion of Non-Traditional Exports set up by Decree-Law 22342 of 21 November 1978, amounting to 1 per cent ad valorem c.i.f. and applied to all imports of goods except foodstuffs; insecticides; petroleum and derivatives; medicines; raw materials for the preparation thereof; medical and surgical materials; imports carried out by the State; gifts; imports of goods under franchises deriving from international commitments; and imports of products totally exempted by the Customs Tariff.
- c.4. Taxes on sea-going freight under Decree-Law 22202 of 6 June 1978 amended by Decree-Law 22448 of 13 February 1979, which levies a charge of 10 per cent on the transport of goods imported into the country. In this case the same exceptions are applied as under c.3. of this paragraph.

(d) Entrepreneurial activities of the State

In accordance with Legislative Decree 216 of 15 June 1981, business activities reserved to the State, whether exclusively or in association, may only be carried out for reasons of social interest or national security as specified by law. In the course of the last few years there has been no amendment of the rules regulating this activity.

ANNEX 1

PERU'S BALANCE OF PAYMENTS, 1979-1982

(in US\$ millions)

	1981	1982
I. <u>GOODS AND SERVICES</u>		
1. Exports f.o.b.	3,249	3,293
2. Imports f.o.b.	-3,802	-3,787
A. <u>Trade balance</u>	- 553	- 494
3. Freight	- 119	- 120
4. Investment revenue	-1,019	-1,012
(Public)	(- 553)	(- 618)
(Private)	(- 486)	(- 394)
5. Government transactions	- 7	- 9
6. Miscellaneous transport	- 153	- 110
7. Travel	86	46
8. Miscellaneous services	- 124	- 117
B. <u>Balance of services</u>	-1,336	-1,322
9. Transfers	161	167
C. <u>Balance on current account</u>	-1,728	-1,649
(A + B + 9)		
II. <u>CAPITAL</u>		
10. Direct investment	125	48
11. Private loans	135	157
12. Official loans	389	1,048
13. Other loans, public sector	-	-
D. <u>Total long-term capital</u>	648	1,253
E. <u>Basic net balance (C + D)</u>	-1,080	- 396
14. SDR assignment	21	-
15. Short-term capital and errors and omissions	555	520
GRAND TOTAL (E + 14 + 15)	-504	124

Source: Central Reserve Bank of Peru.

ANNEX 2
EXPORTS BY PRINCIPAL PRODUCTS
(in US\$ millions)

	1979	1980	1981	1982
I. <u>TRADITIONAL PRODUCTS</u>	<u>2,866</u>	<u>3,071</u>	<u>2,548</u>	<u>2,531</u>
1. <u>Fishmeal</u>				
Value	256	195	141	202
Volume ('000 tonnes)	657	416	315	610
Price (US\$/tonnes)	389.7	469.4	448.0	328.9
2. <u>Cotton</u>				
Value	49	72	64	8.5
Volume ('000 qq)	434	703	685	1,282
Price (US\$/q)	113.7	102.1	92.8	66.1
3. <u>Sugar</u>				
Value	34	13	--	20
Volume ('000 tonnes)	181	53	--	59
Price (US\$/q)	8.7	11.4	--	15.2
4. <u>Coffee</u>				
Value	245	141	106	113
Volume ('000 tonnes)	69	44	45	44
Price (US\$/q)	162.1	146.9	107.4	119.6
5. <u>Copper^{1/}</u>				
Value	693	752	529	460
Volume ('000 tonnes)	377	350	324	335
Price (US cents/lb)	83.5	97.4	74.1	62.9
6. <u>Iron</u>				
Value	85	95	93	108
Volume ('000 freight tons)	5.7	5.7	5.3	5.7
Price (US\$/freight tons)	14.8	16.5	17.7	19.1
7. <u>Refined silver</u>				
Value	222	315	312	206
Volume ('000 Troy oz.)	23.8	16.0	28.1	26.0
Price (US\$/Troy oz.)	9.3	19.6	11.1	7.9
8. <u>Lead^{1/}</u>				
Value	330	383	219	215
Volume ('000 tonnes)	156	152	146	177
Price (US cents/lb)	96.2	114.7	68.2	55.2
9. <u>Zinc</u>				
Value	174	210	267	268
Volume ('000 tonnes)	422	468	477	491
Price (US cents/lb)	18.6	20.3	25.4	24.8
10. <u>Petroleum and derivatives</u>				
Value	652	792	689	719
Volume ('000 barrels)	24.1	22.5	19.9	22.7
Price (US\$/barrel)	27.1	35.2	34.7	
11. <u>Other^{2/}</u>	<u>126</u>	<u>103</u>	<u>128</u>	<u>135</u>
II. <u>NON-TRADITIONAL PRODUCTS</u>	<u>810</u>	<u>845</u>	<u>701</u>	<u>762</u>
III. <u>TOTAL VALUE (I + II)</u>	<u>3,676</u>	<u>3,916</u>	<u>3,249</u>	<u>3,293</u>

^{1/}Including silver content

^{2/}Mainly gold, semi-precious and base metals, and fishmeal

ANNEX 3

INTERNATIONAL QUOTATIONS

Principal export products	1979	1980	1981	1982
Fishmeal (US\$/tonne)	390.2	507.7	466.3	352.8
Cotton (US cents/lb)	99.3	103.0	98.6	81.1
Coffee (US\$/qq)	175.5	154.8	127.3	140.9
Sugar (US\$/qq)	9.6	29.4	16.9	8.4
Copper (US cents/lb)	89.9	98.8	79.0	67.2
Silver (US\$/Troy oz.)	11.0	20.6	10.5	7.9
Lead (US cents/lb)	54.0	41.2	32.9	24.8
Zinc (US cents/lb)	33.6	34.9	38.4	33.8

Source: Reuter, TLX, Central Reserve Bank of Peru.

ANNEX 4

PRINCIPAL ECONOMIC INDICATORS

	1979	1980	1981	1982
Gross domestic product (GDP) (Real growth rate)	3.8	3.0	3.1	0.7
Domestic inflation (average)	67.7	59.2	75.4	74.5
Exchange rate (average)	224.4	288.9	422.3	697.6
Rate of interest: prime rate (average)	12.8	15.4	18.9	14.9

Source: Central Reserve Bank of Peru.

ANNEX 5

LIST OF PRODUCTS SUBJECT TO
PRIOR IMPORT LICENSING

Schedule of codes

Code

- (1) Imports exclusive to the public sector
 (2) Prior favourable opinion of the Ministry of Agriculture and Food
 (3) Prior favourable opinion of the Directorate-General of Industry
 (4) Prior favourable opinion of the Ministry of Fisheries
 (5) Prior favourable opinion of the Ministry of Energy and Mines
 (6) Prior favourable opinion of the Ministry of the Interior
 (7) Prior favourable opinion of the Ministry of Health
 (8) Prior favourable opinion of the Ministry of Shipping
 (9) Directorate-General of External Trade: approves or rejects applications for prior import licences in accordance with the recommendation of the Special Commission set up to evaluate iron and steel products the wording of Ministerial Resolution No. 079-82-EFC and 708-82-EFC
 (10) Prior favourable opinion of the Peruvian Institute of Nuclear Energy

<u>Tariff heading</u>	<u>Product</u>	<u>Restriction</u>
04.02.02.01	Milk, evaporated, with up to 1.5 per cent by weight of fats	(2)
04.02.02.99	Milk, other, in solid form	(2)
07.01.01.01	Seed potatoes	(2)
07.01.01.02	Potatoes for consumption	(2)
10.01.01.01	Hard wheat for sowing	(2)
10.01.01.99	Hard wheat, other	(2)
10.01.02.01	Other varieties of wheat for sowing	(2)
10.01.02.99	Other varieties of wheat, for other uses	(2)
10.01.03.00	Meslin (mixed wheat and rye)	(2)
10.05.89.00	Only: yellow hard maize	(2)
10.06.01.00	Rice for sowing	(2)
10.06.89.01	Rice in the husk	(2)
10.06.89.02	Husked rice	(2)
10.06.89.03	Milled rice (bleached rice), including polished and glazed rice	(2)
10.06.89.99	Rice, other	(2)
10.07.89.02	Sorghum	(2)
11.01.01.00	Cereal flours of wheat or of meslin	(2)
12.01.89.04	Soya beans	(2)
12.01.89.06	Cotton seeds	(2)

<u>Tariff heading</u>	<u>Product</u>	<u>Restriction</u>
15.07.01.01	Only: crude soya bean oil, for preparing edible oil	(2)
22.08.00.02	Ethyl alcohol, denatured, of any strength	(3)
24.02.01.00	Cigars	(3)
24.02.89.02	Tobacco, cut or shredded, for the industrial manufacture of cigarettes	(3)
24.02.89.03	Tobacco extracts and essences	(3)
26.01.89.01	Ores and concentrates of uranium and thorium	(10)
26.01.89.99	Only: ores of radioactive metals	(10)
27.09.00.00	Crude petroleum	(5)
27.10.01.01	Aviation spirit	(5)
27.10.01.99	Other spirit for motor fuel	(5)
27.10.02.00	Spirit-type fuels for reactors and turbines	(5)
27.10.09.01	White spirit	(5)
27.10.09.99	Other light oils	(5)
27.10.11.01	Kerosene	(5)
27.10.11.99	Other kerosene-type fuels	(5)
27.10.19.00	Other medium-weight oils	(5)
27.10.21.00	Partly-refined oils	(5)
27.10.22.00	Gas-oils	(5)
27.10.23.00	Fuel oils	(5)
27.11.01.01	Natural gases (butane and propane)	(5)
27.11.01.99	Other liquid petroleum gases	(5)
27.11.89.00	Other gaseous hydrocarbons	(5)
28.50.00.00	Fissile chemical elements and isotopes; other radioactive chemical elements and radioactive isotopes; compounds, inorganic or organic, of such elements or isotopes, whether or not chemically defined; alloys, dispersions and cermets, containing any of these elements, isotopes or compounds	(10)
28.51.00.00	Isotopes and their compounds, inorganic or organic, whether or not chemically defined, other than isotopes and compounds falling within heading No. 28.50	(10)
28.52.00.00	Compounds, inorganic or organic, of thorium, of uranium depleted in U 235, of rare earth metals, of yttrium or of scandium, whether or not mixed together	(10)
29.08.01.01	Diethyl ether	(7)
29.42.01.00	Morphine, its salts and derivatives	(7)
29.42.02.00	Diacetylmorphine, its salts and derivatives	(7)
29.42.03.00	Ethylmorphine (dionine), its salts and derivatives	(7)
29.42.04.00	Methylmorphine (codeine), its salts and derivatives	(7)
29.42.05.00	Papaverine, its salts and derivatives	(7)
29.42.09.00	Other alkaloids of the opium group, their salts and derivatives	(7)

<u>Tariff heading</u>	<u>Product</u>	<u>Restriction</u>
29.42.23.00	Cocaine, its salts and derivatives	(7)
29.44.01.00	Penicillin, its salts and derivatives	(3)
29.44.04.00	Chloromycetine (chloramphenicol), its salts and derivatives	(3)
31.02.01.00	Sodium nitrate, for other uses	(3)
31.02.08.99	Other	(2)
31.04.03.99	Potassium chloride, for industrial use	(3)
48.01.01.01	Newsprint containing less than 70 per cent of mechanical wood pulp	(3)
48.01.01.99	Newsprint containing 70 per cent or more of mechanical wood pulp	(3)
48.01.89.41	Special paper used as a basis for the manufacture of sensitized paper	(3)
49.07.00.01	Postage, revenue and similar stamps; stamp-impressed paper	(1)
49.07.00.02	Banknotes	(1)
63.01.00.00	Used clothing	(3)
63.02.00.00	Rags, scrap twine, cordage, rope and cables and worn out articles thereof	(3)
72.01.00.00	Coin	(1)
73.06.01.00	Ingots, of iron or steel	(9)
73.07.01.00	Blooms and billets, of iron or steel	(9)
73.07.02.00	Slabs and sheet bars, of iron or steel	(9)
73.08.00.00	Iron or steel coils for re-rolling	(9)
73.09.00.00	Universal plates, of iron or steel	(9)
73.10.01.00	Wire rod	(9)
73.10.02.01	Bars of iron or steel, corrugated	(3) and (9)
73.10.02.99	Other iron or steel bars and rods, hot-rolled or extruded	(9)
73.11.04.01	Iron or steel angles, shapes and sections, less than 80 mm, hot-rolled or extruded, U, I or H-shaped	(9)
73.11.04.99	Other iron or steel angles, shapes and sections, less than 80 mm, hot-rolled or extruded	(9)
73.11.05.00	Iron or steel angles, shapes and sections, less than 80 mm, cold-formed or cold-finished	(9)
73.11.08.00	Iron or steel angles, shapes and sections, less than 80 mm, clad or worked	(9)
73.12.01.00	Hoop and strip, of iron or steel, hot-rolled	(9)
73.12.02.99	Other hoop and strip, of iron or steel, cold-rolled	(9)
73.13.02.01	Sheets and plates, of a thickness of more than 4.75 mm	(9)
73.13.02.03	Sheets and plates, of iron or steel, hot-rolled, of a thickness of less than 3 mm	(9)
73.13.02.02	Sheets and plates, of iron or steel, hot-rolled, of a thickness of 3 to 4.75 mm inclusive	(9)
73.13.03.03	Sheets and plates, of iron or steel, cold-rolled, of a thickness of 1.5 mm	(9)

<u>Tariff heading</u>	<u>Product</u>	<u>Restriction</u>
73.13.03.04	Sheets and plates, of iron or steel, cold-rolled, of a thickness of less than 1.5 mm	(9)
73.13.04.00	Sheets and plates, of iron or steel, tinned (tinplate)	(9)
73.13.05.00	Sheets and plates, of iron or steel, galvanized, flat or corrugated	(9)
73.13.06.00	Other sheets and plates, of iron or steel, coated	(9)
73.15.03.00	Blooms and billets of high carbon steel	(9)
73.15.04.00	Blooms and billets of alloy steel	(9)
73.18.02.05	Tubes and pipes, of iron or ordinary steel, welded, whether or not clad with other metals, of an internal diameter of not more than 100 mm	(9)
73.18.02.99	Other tubes and pipes, of iron or ordinary steel, welded	(9)
84.10.11.05	Reciprocating pumps with special features not replaceable by those manufactured in Peru	(3)
84.10.13.11	Centrifugal pumps, with special features not replaceable by those manufactured in Peru	(3)
84.10.99.11	Parts and accessories for pumps with special features falling within sub-heading 84.10.13.11	(3)
84.11.02.21	Compressors with special features not replaceable by those manufactured in Peru	(3)
84.11.90.02	Parts of compressors with special features falling within sub-heading 84.11.02.21	(3)
84.59.89.01	Nuclear reactors	(10)
84.59.90.01	Parts of nuclear reactors	(10)
85.22.01.01	Particle accelerators	(10)
85.22.90.01	Parts of particle accelerators	(10)
89.01.03.01	Tankers of any type, of a net registered tonnage of not more than 400 tonnes	(8)
89.01.03.11	Tankers of any type, of a net registered tonnage of more than 400, but not more than 1,000 tonnes	(8)
89.01.03.99	Other tankers of any type	(8)
89.01.89.01	Other vessels of a net registered tonnage of not more than 400 tonnes	(8)
89.01.89.11	Other vessels of a net registered tonnage of more than 400, but not more than 1,000 tonnes	(8)
89.01.89.99	Other vessels	(8)
93.02.00.00	Revolvers and pistols, being firearms	(6)
93.04.01.01	Sporting and target shooting guns, smooth bore, of a loading capacity of not more than two shots	(6)
93.04.01.99	Other firearms	(6)
93.06.01.00	Parts of weapons falling within heading 93.02	(6)
93.06.03.01	Smooth bore guns falling within headings 93.04 and 93.05	(6)
93.06.03.99	Other	(6)
93.07.01.99	Other missiles and munitions for sporting and target shooting	(6)

<u>Tariff heading</u>	<u>Product</u>	<u>Restriction</u>
93.07.89.01	Other missiles and munitions for tools which operate by means of an explosive charge	(6)
93.07.89.99	Other missiles and munitions	(6)
93.07.90.01	Parts of missiles and munitions for articles falling within sub-heading 93.07.01.00	(6)
93.07.90.99	Other parts of missiles and munitions	(6)

N.B. Restriction code (9) will remain in force only until 30 September 1983.

Legal basis

Ministerial Resolution No. 715-80-EF/11 of 12 September 1980
Ministerial Resolution No. 983-80-EF/CO of 20 November 1980
Ministerial Resolution No. 986-80-EF/CO of 20 November 1980
Ministerial Resolution No. 1092-80-EF/CO of 17 December 1980
Ministerial Resolution No. 136-81-EF/11 of 29 January 1981
Ministerial Resolution No. 380-81-EF/CO of 21 April 1981
Ministerial Resolution No. 180-82-EFC/81 of 26 March 1982
Ministerial Resolution No. 079-82-EFC/16 of 20 April 1982
Ministerial Resolution No. 314-82-EFC/16 of 27 May 1982
Ministerial Resolution No. 609-82-EFC/70 of 5 October 1982
Ministerial Resolution No. 708-82-EFC/16 of 17 November 1982
Ministerial Resolution No. 846-82-EFC/80 of 10 January 1983
Ministerial Resolution No. 035-83-EFC/80 of 11 February 1983

Prepared by the Sub-directorate of Technical Operations of the Import Authority of the Ministry of Economics, Finance and Trade, Office 25, Level 00, Civic Centre, Lima. Telephone 313383.

ANNEX 6

On 7 May 1983, the official journal El Peruano published Supreme Decree No. 034-83 AG regulating Act No. 235557 waiving the duty on sales and all charges on imports of machinery, vehicles and inputs for agriculture.

- (a) The waiver includes: ad valorem duties, c.i.f.; the 1 per cent additional surcharge under Decree-Law 23442; the selective sales tax on consumption under Legislative Decree 190 and the surtax of 10 per cent on the c.i.f. value established by Supreme Decree 085-83 EFC.
- (b) The beneficiaries of this waiver include all direct producers engaged in land cultivation, the term being understood as referring to individual owners, agrarian production co-operatives, SAJS or any other form of owner association permitted under the agrarian legislation.
- (c) Two lists of products have been established which enjoy the benefit of the waiver:

LIST I - Goods which may be imported without the prior requirement of a decision by MITI and subject merely to certification of farmer status granted by the Ministry of Agriculture;

LIST II - Goods for which certification is required and a statement by MITI that they are not competitive.

Annex I

<u>Tariff heading</u>	<u>Description of Goods</u>
31.02.01.00	Sodium nitrate
31.02.05.00	Calcium nitrate
31.02.06.00	Calcium nitrate and magnesium
31.03.03.00	Only: diammonium phosphate
31.04.03.01	Potassium chloride for agricultural use
31.04.04.00	Potassium sulphate
31.04.05.00	Magnesium sulphate - potassium sulphate
38.11.03.01	Insecticides based on pyrethrum
82.09.01.01	Folding-type pruning and grafting knives
82.13.01.03	Clippers
84.17.01.31	Pasteurising apparatus
84.17.03.01	Laboratory lyophilization apparatus and freeze-drying units
84.18.01.01	Cream separators
84.24.02.01	Machinery for spreading and distributing fertilizer
84.24.02.11	Machinery for sowing, planting and transplanting
84.24.02.21	Cultivators, harrows and weeders
84.24.02.99	Other machinery for sowing and cultivation
84.24.90.02	Discs for ploughs
84.25.01.01	Mowers for cutting hay, etc.
84.25.01.11	Pick-up bailers
84.25.01.99	Other harvesting machines
84.25.03.01	Baling-presses for straw, hay and fodder
84.25.05.01	Egg-graders
84.25.05.02	Potato graders
84.25.05.99	Other grading machines for agriculture products
84.26.01.00	Milking machines
84.26.89.00	Other, and dairy machinery
84.27.01.00	Machinery of a kind used in wine-making, cider-making or the like
84.28.01.01	Fertilizer crushing or mixing mills
84.28.01.03	Machines for cutting and chopping fodder
84.28.01.04	Mechanical clippers
84.28.01.99	Other agricultural and horticultural machines
84.28.02.01	Incubators
84.28.03.00	Bee-keeping machines
84.30.07.01	Sugar mills
84.30.07.99	Other sugar-manufacturing or refining machinery
85.07.03.00	Electric clippers
87.06.04.16	Wheels for tractors and agricultural machinery
90.24.89.05	Flow meters or gauges for irrigation
90.15.01.01	Special thermos flasks, etc., for preserving animal semen

Annex II

<u>Tariff Heading</u>	<u>Description of Goods</u>
28.16.00.02	Ammonia in aqueous solution
31.02.02.01	Ammonium nitrate, for agricultural use
31.02.04.00	Ammonium sulphate
31.02.08.01	Urea, for agricultural use
31.04.06.00	Fertilizers used as a source of minor elements
38.11.03.99	Other insecticides
38.11.04.01	Fungicides, based on copper compounds
38.11.04.99	Other fungicides
38.11.05.00	Weed-killers
39.02.31.21	Special tubes for agricultural irrigation
39.07.01.01	Tubes and fittings therefor
40.11.01.21	Tyre cases for tractors
40.11.02.01	Inner tubes for tractor tyre cases
48.16.89.00	Only: paperboard containers for dairy products
73.23.01.01	Only: tinsplate or galvanized containers for the transport of milk
73.26.00.01	Barbed wire
76.08.01.00	Structures and parts of structures of aluminium, exclusively for the construction of silos
76.10.01.01	Containers of aluminium, for the transport of milk
79.06.01.00	Gutters, roof capping, skylight frames, and other fabricated building components of zinc, or other (only for constructing silos for agricultural use)
82.03.05.00	Files and rasps
82.13.90.00	Parts (clippers only)
84.08.89.02	Wind engines
84.08.90.99	Parts of wind engines
84.10.21.00	Liquid elevators, for agricultural use only
84.10.99.99	Parts of liquid elevators, for agricultural use only
84.17.01.11	Heat exchangers. Milk coolers only
84.17.01.21	Autoclaves. For drying wood only
84.17.03.99	Only: wood-drying and tobacco-drying equipment
84.17.05.99	Sterilizing apparatus. For the dairy industry only
84.21.01.01	Sprays and powder distributors, motor driven, whether or not self-propelled
84.21.01.09	Other, weighing less than 20 kg.
84.21.01.99	Sprays and pumps for tractor trailers
84.21.00.00	Irrigation systems for agricultural use
84.21.90.01	Parts of irrigation systems for agricultural use
84.22.01.01	Pulley tackle and hoists, winches and capstans, hand-operated

<u>Tariff heading</u>	<u>Description of goods</u>
84.23.01.01	Extracting, cutting, and drilling machinery, self-propelled
84.23.01.11	Apparatus and machinery for earth boring or digging
84.23.01.99	Other extracting, cutting and drilling machinery
84.23.11.01	Bulldozers, angledozers and levellers, self-propelled
84.23.11.11	Mechanical shovels and excavators, self-propelled
84.23.11.19	Other earth excavating, digging, scraping, levelling, etc., machinery, self-propelled
84.23.11.99	Other earth excavating, digging, scraping, levelling, etc., machinery and the like
84.24.90.09	Other parts of machinery and apparatus for sowing and cultivation
84.25.01.21	Harvesting machines, including combine harvester - threshers
84.25.02.00	Threshers, including maize threshers and the like
84.25.90.01	Parts of mowers for cutting hay, etc., pick-up balers and pick-up baling presses
84.25.90.11	Parts of baling presses for straw, hay and fodder
84.25.90.99	Other parts of fruit-graders and other grading machines for agricultural products
84.26.90.00	Parts of milking machines and dairy machinery
84.27.90.00	Parts of machinery and apparatus of a kind used in wine-making, cider-making or the like
84.28.01.02	Other fertilizer crushing and mixing mills
84.28.01.99	Machinery for the sorting and separation of fodder
84.28.02.99	Other poultry-keeping machinery and apparatus
84.28.90.00	Parts of apparatus and machinery falling within heading 84.28
84.29.04.99	Pelletization machines, machinery for the preparation of balanced feeding and for the treatment of non-bread grains and dried leguminous vegetables
84.30.90.05	Parts of machinery and apparatus falling within sub-heading 84.30.07.00
84.38.90.01	Parts of cotton gins
84.45.07.01	Polishing, lapping and honing machines, including sharpening machines
84.45.07.99	Other polishing, lapping and honing machines and the like
84.48.02.25	Parts of polishing, lapping and honing machines, including sharpening machines
84.49.02.01	Chain-saws and the like
84.61.89.11	Valves with special features for agricultural irrigation systems
84.63.08.00	Shaft couplings
85.22.01.21	Electrifiers (energy-pulse emitters) for electric fences used in livestock-rearing

<u>Tariff heading</u>	<u>Description of goods</u>
87.01.02.01	Wheeled tractors of not more than 40 maximum brake horse-power
87.01.02.01	Wheeled tractors of more than 40 and up to 120 maximum brake horse-power
87.01.02.03	Wheeled tractors of over 120 maximum brake horse-power
87.02.01.21	Motor vehicles falling within groups B1.1 and B1.2
87.02.01.25	Motor vehicles falling within groups B2.1 and B2.2
87.02.01.41	Motor vehicles falling within group C, with the exception of passenger cars
87.06.03.01	Gear-boxes and parts thereof, for vehicles referred to under heading 87.01
87.06.03.09	Other gear-boxes and parts thereof, for vehicles referred to under heading 87.01
87.06.03.15	Clutches and parts thereof, for the vehicles referred to under heading 87.01
87.06.03.21	Transmissions (front and back), with differential gears, and parts thereof, for vehicles referred to under heading 87.01
87.06.03.25	Cardan transmissions shaft
87.06.04.01	Tractor tracks and parts thereof, for vehicles referred to under heading 87.01
87.06.05.05	Steering gear components and parts thereof, for motor vehicles referred to under heading 87.01
87.06.05.11	Steering gear components and parts thereof for the motor vehicles referred to under heading 87.01
90.24.01.00	Pressure gauges (manometers)