

GENERAL AGREEMENT ON TARIFFS AND TRADE

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PERUVIAN IMPORT SURCHARGES

Annual Report (1961) by the Peruvian Government under the
Decision of 21 November 1958, as amended by Decision of
17 November 1959 and as extended by Decision of
19 November 1960.

1. By Decision of the CONTRACTING PARTIES of 19 November 1960, Peru was granted an extension of the authorization to apply import surcharges in general, applicable also to items in Schedule XXXV, in accordance with the Decisions of 18 November 1958 and 17 November 1959. These surcharges, which were to end on 8 June 1961, were extended for one year from this date. The facts have since borne out the validity of the arguments advanced at that time in requesting the extension, as well as the appropriateness of the decision of the CONTRACTING PARTIES in agreeing to this request.

2. The improvement in the Peruvian economy already noted in the second report of November 1960 to the CONTRACTING PARTIES has continued. In addition to the financial and fiscal measures taken by the Government of Peru, this improvement is due essentially to the steady growth in the volume and value of Peru's exports, which have been stimulated by special conditions in the various markets.

The statistics for January to August 1961, when compared with those for the same period in 1960 as given in document L/1334 of 8 November 1960, are as follows:

	<u>1960</u>	<u>1961</u>
<u>Volume in metric tons</u>		
Imports	1,082,677	1,351,698
Exports	5,584,685	5,995,219
<u>Value in Soles</u>		
Imports	6,733,413,593	8,015,153,828
Exports	7,381,911,742	8,107,017,421
<u>Value in US dollars</u>		
Imports	244,874,277	299,001,338
Exports	268,631,702	302,432,068

The above-mentioned equivalent values were arrived at on the basis of the following rates of exchange: 1960 - 27.49 soles to the United States dollar; 1961 - 26.81 soles to the United States dollar.

While there is a favourable trade balance of US\$3,431,740, this is quite below the balance of US \$23,757,425 for the corresponding period in 1960. And although the value of exports rose substantially (12.6 per cent in value over the corresponding period for the previous year), the value of imports increased even more (22.1 per cent in value over last year).

Increases in value of exports for last year were recorded for the following products: sugar, fish meal, copper concentrates and iron ore. Practically no changes were noted for the other Peruvian commodities, such as wool, coffee, fish preserves, petroleum and its derivatives, lead, zinc and silver. But cotton, which for a long time was the mainstay of Peruvian commodity exports, dropped sharply.

3. Since the granting of the extension, the Peruvian economy has shown great stability in the main economic indices, and the rate of exchange of the Peruvian monetary unit (the Sol) has stayed at about S26.81 to the United States dollar.

The exchange position of the Central Bank has been improving by degrees, and to-day its foreign exchange reserves are over \$65 million. There were no abrupt or seasonal fluctuations in demand for foreign exchange which might have weakened the rate of exchange, which had become stabilized through market conditions.

The cost of living in Peru rose slightly, as may be seen by comparing the general index for 1960 of 1,029 (1936 = 100) with the index of 1,074 for August 1961.

4. Several factors in 1961, especially international, have had a marked effect on the economic, financial and tariff policies of the Government of Peru. Among these were: certain fundamental changes in the pattern, destination and origin of Peruvian exports and imports due to varying conditions in the world market for the disposal of several products vital to the Peruvian economy; the entry into force of the Montevideo Treaty establishing the Latin America Free Trade Area, and the first tariff negotiations to launch the programme of liberalization which are now taking place in Montevideo; the undertaking of special plans for economic development within the Alliance for Progress which were recently discussed at the Punta del Este Conference in Uruguay; the implementation of special systems provided for in the Law for the Promotion of Industry, such as the removal of import duties on machines, equipment, raw and semi-processed material imported by firms operating assembly plants; changes in the direct tax system in order to decrease tax revenue from import custom duties and to increase direct and indirect taxes on transactions and consumption.

5. Because of this preparatory phase of long-term plans, it has not been possible to conclude the process of lifting import surcharges established by Laws Nos. 12,995 and 13,199, the income from which is still of fundamental importance in maintaining the necessary level of tax revenue. Because of this, as well as the unavoidable need to ensure normal operation of the General Budget of the Republic for 1962 and to help the present favourable balance of payments, it has not been possible for the Government of Peru to consider within the time laid down by the CONTRACTING PARTIES the complete abolition of surcharges still in effect, as the Government believes that such a step would lead to a substantial drop in tax revenue; a budgetary disruption could jeopardize the programme of fiscal and monetary stabilization and lead to inflationary conditions which would be hard to bring under control.

6. Nevertheless, several changes have been made since November 1960 in the levying of surcharges in order to reduce the percentages on certain important products in the trade of Peru with other contracting parties to the General Agreement. Thus the 200 per cent surcharge was cut in half for specific import duties which were formerly levied on the following items: 309 (champagne); 316 (other unsweetened liqueurs, such as kirsch and the like); 317 (distilled alcoholic beverages in general, of Asian origin); 318 (cognac and armagnac); 320 (gin and Old Tom); 325 (whisky); 1461-A and 1462-A (artificial textile cellulosic fibres); 2561 (spoons, teaspoons, forks and others of copper and alloys thereof, including white metal); 2567 (table knives with handle of plastic, common wood or base metals); 2886-A (telecommunication apparatus and equipment, of an industrial type); 2888 (switchboards for telephone exchanges); 2889 (valves for transmitting apparatus); 2890 (valves for amplifiers and for wireless receiving apparatus); 2917 (instruments and apparatus for electric measurement in general); and recently empty bags and sacks of flax, hemp and jute (items 2034 and 2034-A, Peruvian Import Tariffs) have been exempted from the surcharges of Law No. 12,995.

7. For all these reasons, the Government of Peru has been compelled to request the Legislature to extend the authorization to continue application of import surcharges still in force, as their effects have on the whole been favourable to the general economy of the country and, because of their modest incidence, they have not had a restrictive effect on the volume and value of Peruvian imports, and have thus helped Peru to maintain its policy of free trade and exchange without import licences, prior deposits, exchange surcharges or restrictions of any kind. That is why it ventures to ask the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade to understand and accept the position which it has outlined by approving this report and granting its request for an extension of the authorization for a further period, thus making it possible for the import surcharges to be gradually abolished in a way which will not impair the country's efforts to ensure the conditions of political, economic and monetary stability necessary for the normal development of the various productive activities of the country.

In conclusion, the Government of Peru wishes to express its readiness to give full consideration to any request made to it by contracting parties concerned in this matter. It also wishes to repeat its desire to comply strictly with its international undertakings resulting from the General Agreement, as well as to stress the moderation with which it has applied those essential measures required to strengthen the national economy, increase production and improve the standard of living of the Peruvian people. This in turn contributes to increasing its capacity to import, as has been borne out in practice.

