

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
C/RM/W/15
7 February 1994
Limited Distribution

(94-0217)

COUNCIL

Original: Spanish/
English

TRADE POLICY REVIEW MECHANISM

Trade Policy Review of the Republic of Peru

Communication from the Discussants

Pursuant to the revised procedures for review meetings circulated in the communication from the Chairman of the Council dated 30 April 1993 (L/7208), the following are outlines of the main points to be raised by H.E. Mr. Alejandro de la Peña (Mexico) and H.E. Mr. Christer Manhusen (Sweden) at the review of Peru to be held on 7-8 February 1994.

It is recalled that discussants act in their personal capacity.

(a) Ambassador A. de la Peña

I. Macro-economic reforms

1. Despite Peru's far-reaching economic reform programme and the favourable developments in recent years, important structural problems still need to be overcome, such as the weakness of the production infrastructure, the low level of domestic saving, and the small share of trade in the economy. How can Peru make progress in this context?

What are the main factors that have fostered certainty and underpin expectations of continuity of the economic programme?

How have the various measures in the economic programme been co-ordinated, and what overall economic policy lessons, both positive and negative, may be drawn from the Peruvian experience?

2. What are the main problems facing tax reform?

How does Peru plan to increase the tax base, given the size of the informal sector of the economy?

3. What are the broad outlines of the new foreign investment law?

4. Has a timetable already been drawn-up for the privatization programme?

Has the sectoral coverage of the programme been decided?

How does the privatization programme relate to direct foreign investment?

5. Are Peru's monetary authorities carrying out, or do they plan to implement, programmes to encourage a higher level of domestic saving in order to finance the economic reform?

II. TRADE POLICY

6. Peru has implemented major trade-opening measures that have benefited the multilateral trading system, and played an active part in the Uruguay Round. Nevertheless, Peru is only an observer to the majority of the Tokyo Round Codes. What is required for the Codes to be attractive to Peru?

7. Regional integration agreements are increasingly important for Peru. Is the objective of establishing a uniform tariff of 15 per cent for 1995, for example, compatible with the present four-level structure of the Andean Group's Common External Tariff?

(b) Ambassador C. Manhusen

1. Informal and illicit activities

According to De Soto informal activities - including the coca economy - accounted for almost 40 per cent of GDP in 1986. The share was expected to grow to 60 per cent by the turn of the century. Furthermore, terrorism is a problem. These factors impede private initiative and formation of enterprises in the formal sector.

- To what extent is the programme for macroeconomic and trade reforms, initiated in 1990, affected by these factors?
- Concerning drug traffic - what is the relationship between newly-introduced measures concentrating on interception of drug shipments and measures such as coca eradication and crop substitution?

2. Formal private-sector activities

Promotion of the private sector is an important part of Peru's economic strategy. The privatization programme of the country "provides investment opportunities in almost all areas", according to the Secretariat report.

- So far, the private sector is reported to have responded to the changed economic environment "only to a limited extent", why?
- In which areas are investment opportunities not provided through the privatization programme, and why?

3. Regional integration

Peru is i.a. a member of the Latin American Integration Association (LAIA), the Andean Group and signatory to a number of bilateral arrangements. Thereby, Peru is part of a rather complicated web of regional preferences in Latin America.

- What direction of further regional integration in the Americas would be most conducive to Peru's interest?

4. Evolution of trade policies and instruments

Peru's main trade policy objectives "consist of integrating the domestic economy into the world economy and reaping the benefits of specialization in a context of sound competition. These are to be achieved by eliminating the anti-export bias from the tariff structure and implementing measures that promote mobility of factors of production and encourage foreign investments" (Secretariat report, para. 79). Neutrality among sectors, rationalization and simplification have been key concepts in the reform programme.

- How can the discrepancy between applied and bound tariff rates be motivated in this context (given that it contributes to reduced predictability for trade)?
- What will happen to Peru's objective of achieving a unitary 15 per cent tariff when Peru takes up full membership in the Andean Group Customs Union, given that the latter operates a four-tier tariff structure?
- How are, for instance, the local-content requirements on fresh milk (which are to rise to 100 per cent in the near future), anti-dumping and countervailing measures and suspension of preferential treatment for certain products reconciled with the above-mentioned objectives?
- How does the fact that air-handling charges for imports or exports of goods are twice as high as for domestically-traded goods square with the overall trade policy goals?
- Peru is an observer in the GATT Procurement Code. Does Peru plan to accede? Are procurement procedures neutral between domestic and foreign goods or services, or do they involve discrimination, and, if so, to what extent?

5. Impact of the Uruguay Round result

- To what extent will the result of the Uruguay Round make it possible for Peru to dismantle variable import levies still applied to a number of agricultural items as counter measures to export subsidies in other countries?
- How will the accession by Peru to most Tokyo Codes, through the Single Undertaking of the Uruguay Round, affect Peru's trade policy?

6. Fisheries

- Substantial over-capacity exists in the fishmeal sector. Why?