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March 19, 1986

To: Members of the Executive Board  
From: The Secretary  
Subject: Peru - Supplementary Background Material for the GATT

The attached paper has been prepared by the staff to supply more recent background information on Peru in connection with the forthcoming consultations between the CONTRACTING PARTIES to the GATT and Peru. In the absence of objection from an Executive Director by noon on Monday, March 24, 1986, the paper will be transmitted to the CONTRACTING PARTIES for their information and use.

Mr. Jaramillo-Vallejo (ext. 8619) is available to answer technical or factual questions relating to this paper.

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Department Heads

INTERNATIONAL MONETARY FUND

PERU

Supplementary Background Material for the GATT

Prepared by the Western Hemisphere Department  
and the Exchange and Trade Relations Department

Approved by E. Wiesner and Manuel Guitián

March 18, 1986

This supplement updates the Fund report of November 15, 1984, entitled "Peru--Recent Economic Developments."

1. Exchange and trade system

According to information available to the staff, Peru's exchange and trade system underwent significant changes during 1985. In August 1985, the Peruvian authorities (i) depreciated the sol in the official market and terminated the system of frequent adjustments in the rate; (ii) temporarily suspended the convertibility into foreign currency of foreign currency denominated certificates of deposit with Peruvian banks; and (iii) created a free exchange market to handle private capital transactions and selected payments for invisibles. As a result, the exchange rate of the sol in the official market has remained fixed since August 1, 1985 at S/. 13,977.54 per U.S. dollar (selling), while in the free market the Central Bank has intervened to support an exchange rate of about S/. 17,500, implying a 25 percent spread over the rate in the official market. The suspension of convertibility into foreign currency of foreign currency denominated certificates of deposit with Peruvian banks was extended on October 29, 1985 for a further six-month period. During the suspension period, holders of such deposits may convert them into soles at an exchange rate equivalent to that prevailing in the official market plus a premium of 3 percent; use them to make any payments abroad that are authorized to be made through the official market; or use them at their maturity to open new foreign currency denominated certificates of deposit. Trading of these certificates between private parties has not been restricted, nor is the suspension of convertibility applicable to diplomatic missions, international organizations or their staffs.

The trade system was also significantly modified in 1985: import tariffs were raised; the import surcharge was temporarily increased; prior licensing requirements were imposed; and the rates on tax credit certificates were increased. On January 29, import duties were raised as follows: by 1 percentage point for goods with tariff rates ranging from 10 to 20 percent; by 2 percentage points for goods with tariff rates ranging from 21 to 32 percent; by 4 percentage points for goods with tariff rates ranging from 33 to 47 percent; by 6 percentage points

for goods with tariff rates ranging from 48 to 61 percent; and by 8 percentage points for goods with tariff rates over 62 percent. Further, on May 5, 1985 the import surcharge was raised by 2 percentage points to 17 percent effective through December 31, 1985. Prior licensing requirements were imposed on a few items in the first half of 1985 and were significantly expanded on August 12, 1985 to cover an additional 1,786 customs positions, representing about one third of the items in the Peruvian customs tariff. The rates on tax credit certificates for poultry and selected construction materials were increased to 25 percent in April, and to 35 percent for handicrafts in August 1985.

2. Supplementary tables

Available updated information on the external sector is contained in the attached tables.

Table 1. Peru: Balance of Payments, 1981-1985

(In millions of U.S. dollars)

	1981	1982	1983	Prel. 1984	Prel. 1985
Current account	-1,728	-1,609	-872	-277	-102
Merchandise trade	-553	-428	293	1,007	1,105
Exports, f.o.b.	(3,249)	(3,293)	(3,015)	(3,147)	(2,967)
Imports, f.o.b.	(-3,802)	(-3,721)	(-2,722)	(-2,140)	(-1,862)
Investment income	-1,019	-1,034	-1,130	-1,221	-1,220
Public sector	(-533)	(-540)	(-636)	(-862)	(-907)
Private sector	(-486)	(-494)	(-494)	(-359)	(-313)
Other services	-317	-314	-254	-221	-114
Transfers	161	167	219	158	127
Capital account	1,138	1,744	121	-816	-891
Long-term capital	728	1,200	1,412	-169	-780
Nonfinancial public sector	336	875	1,368	24	-579
Financial public sector	132	120	91	10	-5
Private sector	260	205	-47	-203	-196
Direct investment	(125)	(48)	(38)	(-89)	(-68)
Loans	(135)	(157)	(-85)	(-114)	(-128)
Short-term capital and errors and omissions (net)	389	544	-1,291	-647	-111
Allocation of SDRs	21	--	--	--	--
Overall balance	-590	135	-751	-1,093	-993
Monetary movements	590	-135	729	-271	-529
Nonofficial reserves	-21	49	105	40	83
Official reserves	611	-184	624	-311	-612
Change in arrears	--	--	22	289	1,033
Rescheduling pending conclusion	--	--	--	1,075	489

Source: Information provided by the Peruvian authorities.

Table 2. Peru: Principal Exports by Commodity

(Value in millions of U.S. dollars; volume  
in thousands of metric tons)

	1981	1982	1983	Prel. 1984	Prel. 1985
Total f.o.b. value	<u>3,249</u>	<u>3,293</u>	<u>3,015</u>	<u>3,147</u>	<u>2,967</u>
Traditional products	<u>2,548</u>	<u>2,531</u>	<u>2,460</u>	<u>2,421</u>	<u>2,207</u>
Fishmeal					
Value	141	202	79	137	100
Volume	315	616	205	401	431
Unit value (US\$/mt)	448.0	328.8	386.7	342.4	231.5
Cotton					
Value	64	85	44	23	44
Volume	32	59	31	11	25
Unit value (US\$/lb)	91.5	65.2	65.4	95.0	80.4
Sugar					
Value	--	20	34	49	24
Volume	--	60	89	116	61
Unit value (US\$/lb)	--	15.2	17.9	19.4	18.1
Coffee					
Value	106	113	118	126	137
Volume	46	44	56	51	55
Unit value (US\$/lb)	107.4	119.6	96.8	112.7	114.9
Copper <sup>1/</sup>					
Value	529	460	443	442	448
Volume	324	335	292	337	344
Unit value (US\$/lb)	74.1	62.3	68.8	59.5	59.2
Iron and iron ore					
Value	93	108	75	58	68
Volume (mn net tons)	5.3	5.7	4.3	4.2	4.6
Unit value (mn net tons)	17.7	19.1	17.5	13.9	14.6
Silver (refined)					
Value	312	205	390	227	137
Volume (mn troy ounces)	28.1	26.0	32.8	26.8	21.9
Unit value (US\$/troy ounce)	11.1	7.9	11.9	8.5	6.2
Lead <sup>1/</sup>					
Value	219	216	293	233	199
Volume	146	177	191	180	174
Unit value (US\$/lb)	68.2	55.2	69.6	58.7	51.9
Zinc <sup>1/</sup>					
Value	267	268	307	341	292
Volume	477	491	522	512	492
Unit value (US\$/lb)	25.4	24.8	26.7	30.2	26.9
Petroleum and derivatives					
Value	689	719	545	618	633
Volume (mb bbl)	19.9	22.7	20.5	24.1	26.7
Unit value (US\$/bbl)	34.7	31.6	26.6	25.6	23.8
Other traditional products	128	135	132	167	126
Nontraditional products	<u>701</u>	<u>762</u>	<u>555</u>	<u>726</u>	<u>760</u>

Sources: Central Reserve Bank of Peru; and Fund staff estimates.

<sup>1/</sup> Includes unrefined silver.

Table 3. Peru: Imports by Sector, Economic Category,  
and Financing Arrangement

(In millions of U.S. dollars)

	1981	1982	1983	Prel. 1984	Prel. 1985
Total imports, f.o.b.	<u>3,802</u>	<u>3,721</u>	<u>2,722</u>	<u>2,140</u>	<u>1,862</u>
1. By sector					
Public sector	1,451	1,421	1,343	857	743
Private sector	2,286	2,235	1,279	1,213	1,064
Donations	65	65	100	70	55
2. By economic category					
Consumer goods	<u>603</u>	<u>464</u>	<u>349</u>	<u>255</u>	<u>131</u>
Public sector	<u>213</u>	<u>48</u>	<u>97</u>	<u>38</u>	<u>35</u>
Private sector	390	416	252	217	97
Raw materials and intermediate goods	<u>1,376</u>	<u>1,321</u>	<u>1,026</u>	<u>949</u>	<u>865</u>
Public sector	<u>423</u>	<u>395</u>	<u>442</u>	<u>324</u>	<u>283</u>
Private sector	953	926	584	625	582
Capital goods	<u>1,454</u>	<u>1,411</u>	<u>900</u>	<u>771</u>	<u>668</u>
Public sector	<u>511</u>	<u>518</u>	<u>457</u>	<u>400</u>	<u>283</u>
Private sector	943	893	443	371	385
Other	<u>369</u>	<u>525</u>	<u>447</u>	<u>165</u>	<u>198</u>
3. By financing arrangement					
Cash and short-term trade credits	2,391	2,113	1,521	1,384	1,296
Long-term financing	1,346	1,543	1,101	686	511
Donations	65	65	100	70	55

Source: Central Reserve Bank of Peru.

Table 4. Peru: Direction of Trade 1/

(In percent)

	1980	1981	1982	1983	Prel. 1984
<b>Exports</b>					
United States	33.0	30.3	36.4	38.2	36.4
Japan	9.0	15.6	14.8	15.5	9.9
United Kingdom	4.0	2.5	4.7	5.5	5.0
Belgium	2.9	2.7	3.2	3.6	4.1
Germany	7.0	4.5	3.0	3.1	3.8
China	1.8	2.5	2.1	1.9	3.3
Italy	4.3	2.5	3.2	3.3	3.1
Netherlands	2.4	3.0	3.1	4.2	2.4
Colombia	2.2	5.3	4.3	1.7	2.4
France	1.1	1.5	1.8	1.4	1.9
Rest of the world	32.3	29.6	23.4	21.6	27.7
<b>Total</b>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>Imports</b>					
United States	40.6	40.1	38.1	38.4	33.5
Japan	9.9	9.7	11.8	10.0	8.7
Argentina	3.8	2.1	3.5	4.9	8.0
Germany	7.4	7.4	6.6	7.1	7.3
Brazil	3.7	7.1	8.0	4.2	5.8
Spain	1.8	1.9	4.1	3.2	4.2
Canada	1.2	1.7	2.1	3.2	3.8
France	1.8	2.5	2.0	4.9	2.5
Sweden	3.4	2.5	1.3	1.7	2.3
Chile	1.9	1.6	1.5	1.7	2.0
Rest of the world	24.5	23.4	21.0	20.7	21.9
<b>Total</b>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Information provided by the Peruvian authorities.

1/ Countries ranked in descending order by their share in exports and imports in 1984.

Table 5. Peru: External Debt Outstanding

(In millions of U.S. dollars)

	1981	1982	1983	Prel. 1984	Prel. 1985
Total external debt	<u>9,688</u>	<u>11,340</u>	<u>12,447</u>	<u>13,408</u>	<u>13,909</u>
Medium- and long-term debt <u>1/</u>	<u>8,172</u>	<u>9,279</u>	<u>11,006</u>	<u>12,114</u>	<u>12,860</u>
Public and publicly guaranteed debt	6,210	6,908	8,339	9,787	10,724
Central Reserve Bank <u>2/</u>	455	707	1,088	862	799
Private debt without public guarantee	1,507	1,664	1,579	1,465	1,337
Short-term debt	<u>1,516</u>	<u>2,061</u>	<u>1,441</u>	<u>1,294</u>	<u>1,049</u>
Central Reserve Bank	24	39	23	66	29
Banco de la Nacion	457	178	255	212	158
Other banks <u>3/</u>	115	209	108	106	141
Other credits guaranteed by the banking system	920	1,635	1,055	910	721

Sources: Central Reserve Bank of Peru; and General Directorate of Public Credit.

1/ With an original maturity of more than one year.

2/ Includes liabilities to the IMF and to the Andean Reserve Fund.

3/ Commercial and specialized banks.

Table 6. Peru: Outstanding Public and Publicly Guaranteed  
External Debt by Type of Lender 1/

(In millions of U.S. dollars)

End of Period	1981	1982	1983	Prel. 1984	Prel. 1985
Total (disbursed)	<u>6,210</u>	<u>6,908</u>	<u>8,339</u>	<u>9,787</u>	<u>10,724</u>
Bilateral	1,344	1,194	1,321	1,506	1,780
Multilateral	784	949	1,106	1,305	1,401
Banks	1,607	2,069	2,489	3,097	3,339
Suppliers	1,545	1,771	2,347	2,809	3,172
Socialist countries	930	925	1,076	1,070	1,032

Sources: Central Reserve Bank of Peru; and General Directorate of Public Credit.

1/ Debt with an original maturity of more than one year; excludes debt owed by the Central Reserve Bank.

Table 7. Peru: Net International Reserves of the Banking System

(In millions of U.S. dollars)

	December 31					Aug. 31
	1980	1981	1982	1983	1984	1985
Central Reserve Bank	<u>1,408.1</u> <sup>1/</sup>	<u>715.3</u>	<u>793.2</u>	<u>535.2</u>	<u>772.7</u>	<u>836.4</u>
Assets	<u>2,140.8</u>	<u>1,134.3</u>	<u>1,521.3</u>	<u>1,597.4</u>	<u>1,823.9</u>	<u>1,643.3</u>
Liabilities	<u>-732.7</u>	<u>-419.0</u>	<u>-728.1</u>	<u>-1,062.1</u>	<u>-1,051.2</u>	<u>-806.9</u>
To IMF	<u>-558.7</u>	<u>-385.7</u>	<u>-649.5</u>	<u>-697.8</u>	<u>-674.7</u>	<u>-660.7</u>
Other	<u>-174.0</u>	<u>-33.3</u>	<u>-78.6</u>	<u>-364.3</u> <sup>2/</sup>	<u>-376.5</u>	<u>-146.2</u>
Banco de la Nacion	<u>-220.6</u>	<u>-139.1</u>	<u>-33.0</u>	<u>-398.7</u>	<u>-324.3</u>	<u>-272.3</u>
Assets	<u>229.2</u>	<u>388.5</u>	<u>144.7</u>	<u>76.4</u>	<u>92.1</u>	<u>58.3</u>
Liabilities	<u>-449.8</u>	<u>-527.6</u>	<u>-177.7</u>	<u>-475.1</u>	<u>-416.4</u>	<u>-330.6</u>
Net official international reserves	<u>1,187.5</u>	<u>576.2</u>	<u>760.2</u>	<u>136.6</u>	<u>448.4</u>	<u>564.1</u>
Assets	<u>2,370.0</u>	<u>1,522.8</u>	<u>1,666.0</u>	<u>1,673.8</u>	<u>1,916.0</u>	<u>1,701.6</u>
Liabilities	<u>-1,182.5</u>	<u>-946.6</u>	<u>-905.8</u>	<u>-1,537.2</u>	<u>-1,467.6</u>	<u>-1,137.5</u>
Specialized banks	<u>15.6</u>	<u>24.3</u>	<u>-58.6</u>	<u>29.7</u>	<u>7.7</u>	<u>-10.9</u>
Assets	<u>46.7</u>	<u>46.0</u>	<u>57.6</u>	<u>70.7</u>	<u>32.8</u>	<u>17.6</u>
Liabilities	<u>-31.1</u>	<u>-21.7</u>	<u>-116.2</u>	<u>-41.0</u>	<u>-25.1</u>	<u>-28.5</u>
Commercial banks	<u>28.2</u>	<u>40.5</u>	<u>73.9</u>	<u>-119.4</u>	<u>-136.9</u>	<u>-220.4</u>
Assets	<u>89.2</u>	<u>133.9</u>	<u>167.4</u>	<u>194.2</u>	<u>186.5</u>	<u>137.0</u>
Liabilities	<u>-61.0</u>	<u>-93.4</u>	<u>-93.5</u>	<u>-313.6</u>	<u>-323.4</u>	<u>-357.4</u>
Net international reserves of the banking system	<u>1,231.3</u>	<u>641.0</u>	<u>775.5</u>	<u>46.9</u>	<u>319.2</u>	<u>332.8</u>
Assets	<u>2,505.9</u>	<u>1,702.7</u>	<u>1,891.0</u>	<u>1,938.7</u>	<u>2,135.3</u>	<u>1,856.2</u>
Liabilities	<u>-1,274.6</u>	<u>-1,061.7</u>	<u>-1,115.5</u>	<u>-1,891.8</u>	<u>-1,816.1</u>	<u>-1,523.4</u>

Sources: Central Reserve Bank of Peru; and Fund staff estimates.

<sup>1/</sup> Includes a gold valuation gain of US\$128.2 million during the year. Since 1980, gold has been valued at US\$286.33 per ounce.

<sup>2/</sup> Liabilities have been reduced to reflect the assumption by the Central Administration of US\$50 million of a US\$195 million loan from Arlabank initially disbursed to the Central Reserve Bank.

Table 8. Peru: Structure of Quantitative Import Restrictions

(Number of eight-digit customs items)

	December 31					July 31
	1980	1981	1982	1983	1984	1985
Total <u>1/</u>	<u>5,104</u>	<u>5,207</u>	<u>5,226</u>	<u>5,262</u>	<u>5,301</u>	<u>5,320</u>
Without quantitative restriction	4,979	5,089	5,075	5,136	4,998	4,774
With quantitative restriction	125	118	151	126	303	546
Subject to Ministerial "observation" <u>2/</u>	(118)	(111)	(114)	(118)	(124)	(350)
Prohibited items	(7)	(7)	(7)	(8)	(179)	(196)

Source: Ministry of Economy, Finance, and Commerce.

1/ The number of items in the Peruvian customs nomenclature (NABANDINA) has increased due to the splitting up of existing items and the addition of new items on a net basis.

2/ Imports of items subject to Ministerial "observation" are in practice generally either prohibited or reserved to public sector agencies.

Table 9. Peru: Level and Structure of Customs Tariff

	December 31					July 31
	1980	1981	1982	1983	1984	1985
	(In percent)					
Average tariff (unweighted)	34	32	36 <u>1/</u>	41 <u>2/</u>	57 <u>3/</u>	63 <u>4/</u>
Standard deviation (unweighted) <u>5/</u>	18	18	18	18	22	24
Maximum tariff	60	60	60	60	76	86
Maximum tariff (including surcharge)	61	61	69	70 <u>2/</u>	91 <u>3/</u>	103 <u>4/</u>
	(Number of eight-digit customs items)					
Zero percent	31	37	64	63	5	5
More than 0 and up to 10 percent	388	594	582	629	458	177
More than 10 and up to 20 percent	755	1,297	1,314	1,282	451	611
More than 20 and up to 30 percent	1,577	1,223	1,217	1,223	529	574
More than 30 and up to 40 percent	758	647	641	647	1,456	753
More than 40 and up to 50 percent	436	380	377	378	759	1,213
More than 50 and up to 60 percent	1,149	1,029	1,031	1,040	266	579
More than 60 and up to 70 percent	--	--	--	--	360	129
More than 70 and up to 80 percent	--	--	--	--	1,017	312
More than 80 percent	--	--	--	--	--	967
Total	<u>5,104</u>	<u>5,207</u>	<u>5,226</u>	<u>5,262</u>	<u>5,301</u>	<u>5,320</u>

Source: Ministry of Economy, Finance, and Commerce.

- 1/ Including surcharge of 15 percent on tariff paid.  
2/ Including surcharge of 10 percent on c.i.f. import value.  
3/ Including surcharge of 15 percent on c.i.f. import value.  
4/ Including surcharge of 17 percent on c.i.f. import value.  
5/ Standard deviation is calculated on basis of average tariff excluding surcharge.