

## Peru

Peru is one of the rapidly growing countries in South America, mainly due to its vast richness in natural resources – mining, fisheries, agriculture, oil et cetera. It is strategically located, and its territory offers a natural variety of coast – there is the Pacific Ocean – mountains and jungle. It has a rich history that goes back to pre-Inca and Inca times. Peru has become one of the world's cultural assets famous not just for Cusco and the ruins of Macchu Picchu but also for the colonial cities – the legacy of the vice reigns of the Spaniards.

*Australia-Peru Chamber of Commerce and Industry<sup>1</sup>*

### Introduction

- 13.1 The Inca civilisation unified what are now Peru, Ecuador and Bolivia. In 1532 the Spanish arrived in Peru and the first Spanish viceroy arrived in 1544. What followed was a harshly repressive system of government.
- 13.2 Peru was able to proclaim independence from the Spanish on 28 July 1821 after the arrival in 1820 of the Argentine soldier José de San Martín, who had defeated the Spanish forces in Chile. The Spanish forces were finally defeated at the end of 1824 by the Venezuelan revolutionary Simón Bolívar who entered Peru in 1822.
- 13.3 Peru had a succession of governments, including military juntas, where economic reform was instituted but there were tight governmental controls and a waxing and waning of policies depending on who was in power. By the late 1980s Peru faced a deep depression with runaway

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<sup>1</sup> APCCI, Transcript, 1 October 1999, p. 190.

inflation and an inability to pay foreign debt. Furthermore Peru was cut off from international financing.

- 13.4 The 1990 Presidential elections brought an upset with the win of Alberto Fujimori. He imposed an austerity program to deal with hyper-inflation and restore Peru's ability to borrow money internationally.
- 13.5 The US and other creditor nations resumed loans to Peru in 1993 and a new constitution was signed in December that increased presidential power, allowed the president to run a second term and changed the legislature from a bicameral to a unicameral one.
- 13.6 Peru's economy had revived dramatically by 1994 and moved towards privatisation. Peru rejoined the Andean Group just as the Group began to negotiate tariff reductions among its member nations.
- 13.7 The President accelerated the process of privatisation and concessions. The privatisation process has 4 main objectives - with the goal to transfer most of the state-owned assets to the private sector by the year 2000:
- Contribute towards the improvement of market economy;
  - Promote private investment, local and foreign, in the main sectors in the economy (electricity, communications, hydrocarbons, industry, mining, etc);
  - Promote the development of Peru's capital market, increasing the amount and number of transactions and participants (citizens' participation program, mutual funds); and
  - Generate revenue for the Peruvian Treasury (orientated to finance social programs to reduce poverty etc).
- 13.8 Elections for the President and Congress were held in April 2000 and in an election run-off held on 28 May, Fujimori was re-elected.

## Overview of the Economy

- 13.9 Peru's economy is mainly agricultural, with the mining and fishing industries becoming increasingly important. It is the third largest country in South America, the fourth most populated with a population of 28.4 million,<sup>2</sup> has a GDP of US\$63.8 billion and a literacy rate of 87 per cent.
- 13.10 Peru ranks as one of the world's leading producers of copper, silver, lead and zinc. It is the third largest recipient of foreign direct investment in

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2 1998 figure.

South America after Brazil and Argentina. There is more FDI in Latin America than Asia and Peru offers stable fiscal and monetary policies, giving confidence to foreign investors.<sup>3</sup>

- 13.11 The Australia-Peru Chamber of Commerce and Industry Inc (APCCI) informed the Committee that the micro-economic policy of the last eight years went hand in hand with political, social and institutional reforms:

Those policies included monetary and fiscal austerity, the liberalisation of interest and exchange rates, the elimination of subsidies and price controls, the liberalisation of foreign trade and capital flows, the creation of a favourable legal framework for foreign investment, the modernisation of our pension system, the transparent privatisation program, the development of capital markets, flexible labour markets, property reduction programs and a strategy to achieve social peace.<sup>4</sup>

- 13.12 Since President Fujimori took office in July 1990, 'hyper-inflation has been quelled, and the economy has stabilised' following the government's move to restructure Peru's economy.<sup>5</sup> Public expenditure has been reduced through the abolition of subsidies and the privatisation of state-owned companies. Moreover a restructuring of the tax system has seen receipts from taxation collections jump from less than 5 per cent of GDP in 1990 to 12 per cent in 1997.<sup>6</sup>
- 13.13 Between 1993 and 1997 Peru had the highest accumulated growth in Latin America – some 41.1 per cent. For the same period exports grew by 92 per cent and inflation went down from 7.65 per cent in 1990 to 6.5 per cent in 1997. DFAT says that Peru now has perhaps the most liberal foreign investment laws in South America.
- 13.14 Mining is vital to Peru's economic prosperity accounting for 40 per cent of export earnings with copper the dominant export. Other major exports include coffee, zinc, gold and clothing. Peru is the leading gold producer in South America.
- 13.15 Real GDP growth was 0.3 per cent in 1998 down from 13.1 per cent in 1994. This reflected the impact of three external shocks on the economy in 1998. The Asian economic crisis with its negative effect on commodity prices; the climatic disturbances produced by El Niño and the scarcity of domestic credit caused by Russia's financial crisis.<sup>7</sup> Figure 13.1 shows real

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3 Ministry of Integration and International Trade Negotiations, Lima.

4 APCCI, Transcript, 1 October 1999, p. 191.

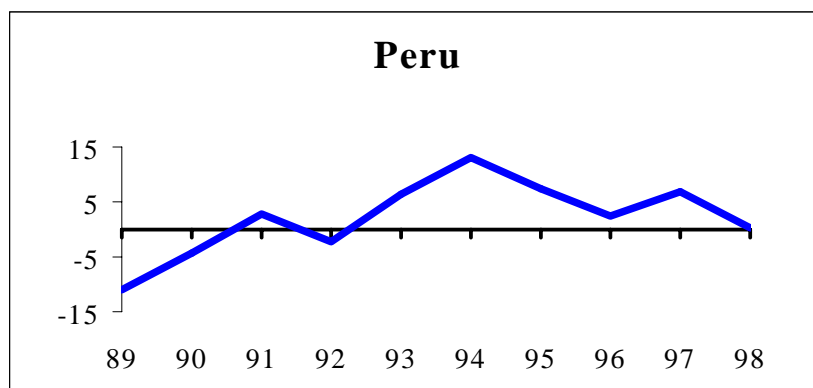
5 DFAT, Submission, p. 297.

6 *ibid.*

7 Peruvian Ambassador, Transcript, 22 October 1999, p. 330.

GDP growth for the period 1989 to 1998. In 1999 growth improved by one per cent to 1.3 per cent.

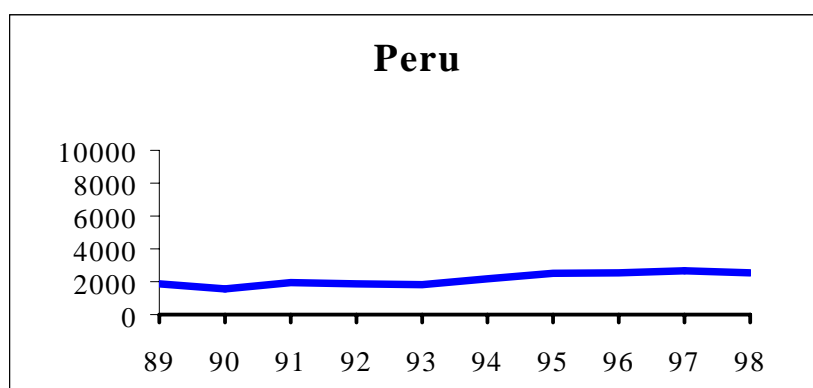
Figure 13.1 Real GDP Growth – 1989-1998



Source *Australia's Trade with the Americas, 1993-94 & 1998, Department of Foreign Affairs and Trade, Canberra.*

- 13.16 Growth in the first six months of 2000 has been in the order of 6 per cent compared to the same period in 1999. It is expected that this will level off for the remainder of the year with annual growth still expected to exceed earlier official projections of around 4.5 per cent.
- 13.17 In 1994 the consumer price index was around 23.7 per cent and this has been brought down to 7.3 per cent in 1998. Inflation continues its downward trend with inflation coming in at 3.2 per cent in the twelve months to June, below the target of 3.5 to 4.0 per cent set by the IMF earlier in the year.
- 13.18 GDP per capita has been slowly rising since 1993 though in 1998 there was a slight drop. Figure 13.2 shows GDP per capita for the period 1989 to 1998.

Figure 13.2 GDP Per Capita – 1989-1998



Source *Australia's Trade with the Americas, 1998, Department of Foreign Affairs and Trade, Canberra, and IMF/IFS and EIU Country Reports.*

- 13.19 In June 1999 the government signed a new three-year Extended Fund Facility with the IMF that signalled to the international financial community that the government intended to continue on its fiscal discipline path. In its agreement with the IMF the government committed itself to reducing the fiscal deficit to below 2 per cent of GDP this year and in the figures to June 2000 the government is slightly behind this target. It is expected that privatisation projects earmarked for the second half of the year following the swearing in of President Fujimori at the end of July will improve the government's finances.
- 13.20 Peru's generally under-developed basic infrastructure continues to be the main drag on the economy and foreign investment in this sector will be crucial to the long-term recovery of the economy.
- 13.21 There is a key issue that has arisen recently and that is how the changes in the mining investment law will be managed. The government pushed through changes during the last sitting of the current Parliament that will end investment incentives in mining, including tax stability guarantees. The reasoning behind this is the government's claim that the mining sector is now mature enough not to depend on incentives. The mining sector is critical of the changes on the grounds that it will create uncertainty for planned major exploration and development and sends a negative signal to foreign investors.

## **The Nature of the Trade and Investment Relationship**

- 13.22 Australia is among the top five investors in Peru with an estimated investment of US\$450 million. Australia's increasing presence in Peru is focused on mining – mining investment, mining services and equipment exports. DFAT pointed out that all ten of the Australian companies with offices currently in Peru are involved in the mining sector.<sup>8</sup> The major Australian investor is BHP, with an investment of US\$332 million in the purchase and upgrade of the Tintaya copper mine. Other Australian companies in the mining sector include Ausmelt Ltd, Newcrest Mining Ltd, Savager Resources Ltd, North Ltd, Ampolex Inc., and MIM. A group of Australian mining companies dedicated to mining services have installed branches in Peru such as Anderson Drilling, Sigent Engineering, Mincom and Amdel. Thiess has selected Peru as its base for its South American operations having decided to enter the South American market in 1998.

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8 DFAT, Submission, p. 298.

- 13.23 Peru is regarded as an emerging market for Australia. Of five emerging markets identified in TOOS 2000, only two, Peru and Mexico were individual countries, the other three were market groups. The opening of the Austrade managed Consulate-General and Trade Commission in Lima in June 1999, 'reflected the potential for stronger commercial ties between Australia and Peru.'<sup>9</sup> Peru is becoming increasingly attractive to Australian companies. 'This is due to the return of stability and sustained economic growth, and the Government's privatisation programme and more profitable opportunities in the mining sector.'<sup>10</sup>
- 13.24 As part of the Australian Government's push into emerging markets, a number of key sectoral priorities have been identified in Peru and these are set out in Table 13.1.

**Table 13.1 Key Sectoral Priorities – 2000 and 2001**

<b>Sector and Issues</b>	<b>Desired Outcomes</b>
<b>Agribusiness</b>	
Peruvian regulations on animal product imports require inspection and approval by SENASA (the Peruvian quarantine agency) of foreign exporting establishments.	Increased cooperation with Peru on quarantine issues, including through inspection visits to Australia by SENASA and the signing of export certificates recognising Australian Quarantine Inspection Service (AQIS) standards.
Surcharge on dairy imports into Peru.	Removal of the surcharge, or change in the way it is applied.
Peru has recognised AQIS certification procedures for beef and sheep product exports to Peru.	Exports of Australian beef and lamb to begin.
Privatisation of Peru's sugar sector, resulting in opportunities for Australian business.	Increased awareness of Australian capabilities - for example, by show casing Australian technology during visits to Australia of Peruvian sugar industry representatives.
<b>Information Technology and Telecommunications</b>	
The Peruvian telecoms market is one of the fastest growing in Latin America. Particular opportunities exist for providers of niche-market solutions, better suited to the lower volumes and cost requirements of Peru.	Identification of new niche markets in IT&T. 'Migration' into the Peruvian market of Australian business already established elsewhere in Latin America.
<b>Infrastructure</b>	
The Peruvian Government has targeted a number of infrastructure investments, many of which are to be developed with private sector funding under 30-year and longer concessions.	Joint exploration with South American companies of potential investment, sales and joint venture business opportunities. Identification of opportunities in privatisation projects for ports, airports and railways.
<b>Mining</b>	
Mining companies in Peru are looking to identify suppliers which can help reduce their operating costs and increase productivity and ore recoveries.	Identification of market niches for Australian equipment, services and technologies exporters. Increased awareness of Australian capabilities.

Source *Toos 2000*, p. 84.

9 *TOOS 2000*, p. 82.

10 *ibid.*

- 13.25 In 1998 more than \$50 million from Australia was invested on the Lima stock exchange especially in the mining and industry sectors of investment. The Peruvian Ambassador saw this investment as very important.
- 13.26 Merchandise trade with Peru was valued at \$85 million in 1998. Trade has increased by 14 per cent per annum since 1988 with exports and imports both increasing by 13 per cent per annum.<sup>11</sup>
- 13.27 Australia's balance of merchandise trade with Peru in 1998 was \$59,371 million, with exports totalling \$72,408 million and imports \$13,038 million. In 1994 the balance of trade was not in Australia's favour totalling - \$12,794, with exports of \$21,010 and imports of \$33,804.
- 13.28 In 1999 total merchandise trade between Australia and Peru was \$60.53 million of which \$36.34 million were exports and \$24.18 million were imports. This ranked Peru in 71<sup>st</sup> position in merchandise trade with Australia. Australia's exports to Peru declined by 49.8 per cent in 1999 over the 1998 figure while imports were up by 85.5 per cent over the previous year.
- 13.29 Exports to Peru in 1998 (latest available data) were made up of 43 per cent primary products, 3 per cent STMs, 40 per cent ETMs and 15 per cent other exports.<sup>12</sup> Imports from Peru in 1998 comprised 76 per cent primary products, 8 per cent STMs and 17 per cent ETMs.<sup>13</sup>
- 13.30 Principal exports to Peru in 1998 were cotton - \$17.23 million; telecommunications equipment - \$16.74 million; confidential items - \$10.78 million and refined petroleum \$6.02 million.
- 13.31 Peru has developed a significant textiles industry that is growing in importance despite competition from Asian mills. A number of factors have helped to develop textiles, namely Peru's geographic proximity to the markets of North America and its supply of cheap and skilled labour. To service this industry Peru produced 33,000 tonnes (1997-98) of raw cotton and imported another 18,000 tonnes of which Australia supplied 4,700 tonnes. AFFA notes 'Peru's expanding textiles industry potentially offers an emerging opportunity for Australian fibre exports.'<sup>14</sup>
- 13.32 Principal imports from Peru in 1998 were animal feed - \$6.81 million; preserved vegetables - \$2.22 million; clothing of textile fabrics - \$828,000 and coffee and coffee substitutes - \$362,000.

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11 DFAT, *Australia's Trade with the Americas, 1998*, Commonwealth of Australia, 1999, p. 11.

12 ETMs – elaborately transformed manufactures; STMs – simply transformed manufactures.

13 DFAT, *Australia's Trade with the Americas, 1998*, op cit.

14 AFFA, Submission, p. 495.

- 13.33 The leading suppliers to Peru are the United States with 32 per cent of the total, followed by Spain with 9 per cent, then Chile and Venezuela capturing only 6 per cent and 5 per cent respectively. Australia was in 29<sup>th</sup> spot registering only 0.3 per cent. Peru's leading markets are the United States 24 per cent, China and Japan with 7 per cent of Peru's exports, Switzerland with 6 per cent and Australia accounting for 0.3 per cent putting it in 35<sup>th</sup> position on the market list.
- 13.34 Peru is a member of the Andean Community and of ALADI. The question was put directly to the APCCI as to whether Australia starts off at a disadvantage in trading with Peru given the US Andean Trade Preference Act and the EU Andean Generalised System of Preference. As was pointed out, Peru is the only Andean country that is a member of APEC and that:
- ... Peru, at this stage, is looking for other areas in the international community to create more of these alliances. We have been very much attached to America for many years, and that is the situation not only for Peru but also for all of South America. That is why Peru is part of the APEC group now – in order to open up different horizons. Peru sees in Australia a tremendous opportunity for business and technology.<sup>15</sup>
- 13.35 In discussions with the Director General of the Andean Community in Lima, the Trade Sub-Committee was told that the Andean Community is a free trade area with Peru not fully integrated. Peru will be fully integrated by 2005 however currently more than 70 per cent of products traded between Peru and other Andean Community members are free of tariffs. The other four countries – Ecuador, Venezuela, Colombia and Bolivia – have complete free trade.
- 13.36 DFAT points out 'a key strategy of Peru's integration into the global economy has been its activist approach to regional integration.'<sup>16</sup> Besides being a key member of the Andean Community Peru has free trade agreements with Bolivia and Chile. Furthermore as well as being a member of APEC, Peru has 'plans for further bilateral and regional negotiations to improve access to foreign markets.'<sup>17</sup> Peru formally took up membership of APEC in November 1998.
- 13.37 In discussions with the Peruvian Vice-Minister for Integration and International Trade Negotiations in Lima, members of the Trade Sub-Committee were told that Peru is very interested in the Australian market and hopes that the relationship with APEC will lead to stronger ties. Peru
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15 APCCI, Transcript, 1 October 1999, p. 201.

16 DFAT, Submission, p. 297.

17 *ibid.*



has higher expectations of APEC than of the Andean Community. The Andean Community is important but not a trade priority for Peru that exports manufactures and value added goods to the Andean Community and raw materials to the rest of the world. Peru is trying to impress on the private sector how important APEC is.

- 13.38 The Australian Customs Service (ACS) has a working relationship with the customs administration of Peru as a result of its involvement in the APEC Sub-Committee on Customs Procedures (SCCP).<sup>18</sup> The SCCP's mandate is to progress the APEC trade facilitation agenda by the simplification and harmonisation of customs procedures throughout the region. As Customs says these measures will provide direct assistance to Australian companies trading with Peru by reducing costs associated with customs procedures. Moreover Peru has access to technical assistance that the ACS provides under the auspices of APEC.
- 13.39 The Vice-Minister for Integration and International Trade Negotiations said that Peru would like to see more reciprocal trade missions between the two countries. He noted that there were very few commercial missions from Australia and countries such as New Zealand, Korea, Singapore and Hong Kong had sent trade missions to Peru recently.
- 13.40 Australia and Peru have had a long association on the cultural side. As the Peruvian Ambassador explained:
- In the last 15 years, we have had collaboration, research and cooperation in the field of archaeology between the Catholic University in Lima and the Australian National University. This project has been very successful and we would like to increase and expand this to all universities. We are going to work to have in the future a change [sic] of academics, professors and students between universities in Peru and Australia.<sup>19</sup>
- 13.41 The Committee commends this initiative and through the Australian National Centre for Latin American Studies (ANCLAS) at the Australian National University there will be the opportunity for educational exchanges involving universities.
- 13.42 Australia and Peru concluded a bilateral Investment Promotion and Protection Agreement in 1995 that entered into force on 2 February 1997.
- 13.43 In 1999 AusAID donated \$20,000 to assist in the de-mining of the Peruvian-Ecuador border.

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18 ACS, Submission, p. 176.

19 Peruvian Ambassador, Transcript, 22 October 1999, p. 330.

## Opportunities for Australian Business

- 13.44 Peru is looking for alliances in the areas of technology and consulting. As the APCCI confirms, Peru has the natural resources and is looking for the type of support, technology and consulting, that can assist the development of Peru through the privatisation program and the concessions.
- 13.45 With the opening of the Austrade office in Lima, Austrade has been able to devote a serious amount of time to developing the market and working towards putting in place a number of strategies. Building on the Australian presence in the mining sector, Austrade has focused on a number of action plans in 2000/2001 to continue to build business.<sup>20</sup>

## Mining

- 13.46 Austrade points out Peru is experiencing a boom in mining exploration activity with all the major foreign exploration companies active, and it ranks with Chile in terms of attracting exploration expenditure in South America. Gold and copper are the focus of much of the exploration. There are a large number of mining companies with small to medium size modernisation and expansion projects that will need technical assistance, technology and equipment.
- 13.47 There is a lot of competition in the marketplace with the market for mining equipment and services very open and competitive. All the major foreign suppliers are represented – Sweden, the US, Canada, Germany, Japan, Finland, Norway, Spain, Brazil and Chile. Canada in particular, says Austrade, is active offering ‘soft loan’ finance and other incentives.<sup>21</sup>
- 13.48 The current value of the Australian dollar against the US dollar offers ‘enormous business potential for Australian companies whose products and services are now particularly price competitive.’<sup>22</sup>
- 13.49 Equally important is that there are other sectors in Peru where Australian companies can enter the marketplace. These sectors include telecommunications and information technologies, infrastructure, consumer products and agribusiness. Austrade has developed strategies for these sectors.

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20 Austrade, Exhibit No 54.

21 Austrade, Submission, p. 228.

22 *ibid.*

## Tourism

- 13.50 One area that is very important for Peru is tourism. In evidence to the Committee the Ambassador for Peru said that:

The infrastructure of tourism in Peru has increased in the last few years. The tourism industry is expanding. With regard to this, according to the information we have, close to 10,000 tourists from Australia visited Peru last year [1998] – an increase of more than 1,000 compared with the previous year. We hope that this will continue. We want to receive tourists from Australia.<sup>23</sup>

- 13.51 From a Peruvian point of view the image of Australia is dominated by tourism – the Olympics and kangaroos – and it is seen as being a very far away place. In terms of flying to Australia it certainly is with Peruvians having to fly to Buenos Aires or Santiago to link up with flights to Australia. The Qantas representative in Lima took a group of Peruvian travel agents to Australia in April 2000 and this hopefully will be a catalyst for better tourist exchanges. There is scope for more varied investment in Peru and the hotel sector is one in which Peru would like to see Australian investment.
- 13.52 When in Lima, members of the Trade Sub-Committee were told by officials of the Ministry of Industry, Tourism and Integration that Peru is interested in an air services agreement. It would like to have Lima as a hub for tourism in South America – the Inca ruins at Macchu Picchu are world famous and Lima is a natural gateway to the northern countries of South America. Peru is going to sign an open-skies agreement with New Zealand in the very near future and would like to sign one with Australia. Besides developing close trade and investment interests especially in mining and agribusiness, the Peruvian Foreign Ministry is keen to see air services included in the relationship.

## Telecommunications & Information Technology

- 13.53 The telecoms market in Peru is one of the fastest growing in Latin America. Peru has a population of 24.8 million and a penetration rate of 6.7 telephone lines per hundred inhabitants in 1997, a growth of 103 per cent in the period 1994-1997. Moreover Peru is ahead of all the other South American countries except Brazil in the growth of Internet hosts. As Austrade emphasises:

Now privatised, largely deregulated and increasingly competitive with the 1999 allocation of numerous operating licences, the

Peruvian telecommunications sector offers good export opportunities to providers of smaller-scale, lower-cost solutions than those typically offered by the leading MNCs [multi-national corporations].<sup>24</sup>

- 13.54 The areas of growth are mobile phone network services and the expansion of the rural telephony network. Sydney-based Open Telecommunications and its Peruvian partner Grana y Montero recently announced a software and technical services project, worth \$1.75 million, with Bell South of Peru.<sup>25</sup>

## Infrastructure

- 13.55 It is expected that Peruvian economic growth this year will be among the highest in Latin America. Austrade says it is expected an important portion of GDP growth will be generated by private investment in new privatised infrastructure projects. With the April 2000 elections, all important privatisation projects have been held up until the latter half of 2000 and private business investment decisions have similarly been postponed. This, Austrade says, opens up a number of important export opportunities for Australian business that are expected over the two-year period beginning mid-2000.<sup>26</sup> These include complete privatisation of the rail network and the commencement of the technical renovation phase, airport upgrades and privatisation, and ports privatisation and modernisation.
- 13.56 In November 2000 the ARIC<sup>27</sup> has a railway mission of twelve companies travelling to South America. The mission will be visiting Lima.
- 13.57 The Peruvian aeronautical sector underwent profound change in 1999 with the first-ever privatisation of Peruvian airports and a major shake-up among domestic air carriers.<sup>28</sup> Lima's international airport was to be upgraded and modernised and was the subject of an international tender for the operation of the airport for 30 years. The regional airports of Cusco, Arequipa, Trujillo and Iquitos are part of the government's privatisation plans.
- 13.58 The Peruvian Ambassador outlined to the Committee in evidence the range of infrastructure concessions available, such as freeway enlargement, port development, city block development and airport
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24 Austrade, Exhibit No 54.

25 *The Australian Financial Review*, 'Look before you leap – get some inside intelligence', 8 June 2000.

26 Austrade, Exhibit No 54.

27 ARIC – Australian Railways Industries Corporation.

28 Austrade information brief, *Latin America – expand your horizons*, April 2000.

concessions. With regard to energy the main supply is currently hydro-electricity and natural gas will be the next source that is developed.

## Consumer Products

13.59 Consumer purchasing power is on the rise in Peru. Peruvian domestic manufacturing capability remains limited for consumer goods and import ratios are high.<sup>29</sup> Austrade points out good opportunities 'now exist to export capital equipment as well as for new inputs and finished products for the sector.'<sup>30</sup> To elaborate:

Initial research indicates potential growth for the commercialisation of consumer products through super stores. At present only 20% of the population of Lima usually goes to super market chains, and planned new openings in 2000 are expected to increase this market share. Sales are to grow by 13%, which represents the sales not only of traditional supermarkets but also of convenience stores of smaller dimensions (all super stores). Based on this growth, total sales will be US\$850 million.<sup>31</sup>

13.60 The increasing demand for lower income housing has created a potential for low-cost housing components. As well as the food sector, including dairy and meat, potential exists for exports of medical and veterinary products.

## Agribusiness

13.61 Peru has climate and topography variation that is not matched by any other country in the world and its position just south of the equator gives its farmers a marketing and transport advantage when supplying Northern Hemisphere customers.<sup>32</sup>

13.62 There are a number of structural factors in agriculture that create significant opportunities for Australian agribusiness exporters of equipment, technology and services according to Austrade. Austrade has identified quite a number of areas, in particular the privatisation of the sugar industry, where Australian expertise could have a competitive advantage over other countries. These areas are:

- Dairy industry;
- Seeds;

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29 Austrade, Exhibit No 54.

30 *ibid.*

31 *ibid.*

32 *ibid.*

- Packaging;
- Irrigation equipment;
- Sugar cane industry including processing equipment and technology, transport and varieties;
- Wind propelled water pumps; and
- Solar energy technology.<sup>33</sup>

13.63 Sugar and dairy were identified in TOOS 2000 as priority sectors.

## Market Access Issues

13.64 There are tariff peaks on dairy products. Other exports that attract tariff peaks are meat, vegetables, some grains and some industrial products ie refrigeration equipment. Peru applies a flat tariff of 12 per cent to more than 95 per cent of goods. A 20 per cent tariff applies to the remaining imports except for a handful of agricultural products that attract rates up to 25 per cent. Import surcharges apply to four basic commodities: rice, corn, sugar and dairy.<sup>34</sup>

13.65 AFFA pointed out to the Committee that Australian dairy exports to Peru face duties of 20 per cent plus other imposts on milk powders and butter oil. Furthermore 'heavy tariffs represent a major constraint on Australia's meat exports with, for example, Peru applying a flat tariff of 20 per cent on most meat cuts.'<sup>35</sup> For a trade in meat and meat products to be optimised AFFA says the tariff will need to be eliminated.

13.66 The market access issue that applies to the other Andean Community countries the Committee has looked at, that of inadequate protection of intellectual property rights, applies equally to Peru. This market access issue needs to be addressed especially as piracy continues to be a problem.

## Senator Alan Ferguson Chairman

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33 *ibid.*

34 DFAT and Austrade, *Doing Business in Latin America: An Introductory Guide*, Commonwealth of Australia, 1999, p. 22.

35 AFFA, Submission, p. 498.