

### III. EXTERNAL SECTOR

In 1999 the weakness of domestic demand, the recovery of exports that had been affected by “El Niño” in 1998 and the driving force of mining exports affected the

external accounts. As a result, the current account deficit decreased from US\$ 3 634 million (6,4 percent of GDP) in 1998 to US\$ 1 817 million (3,5 percent of GDP).

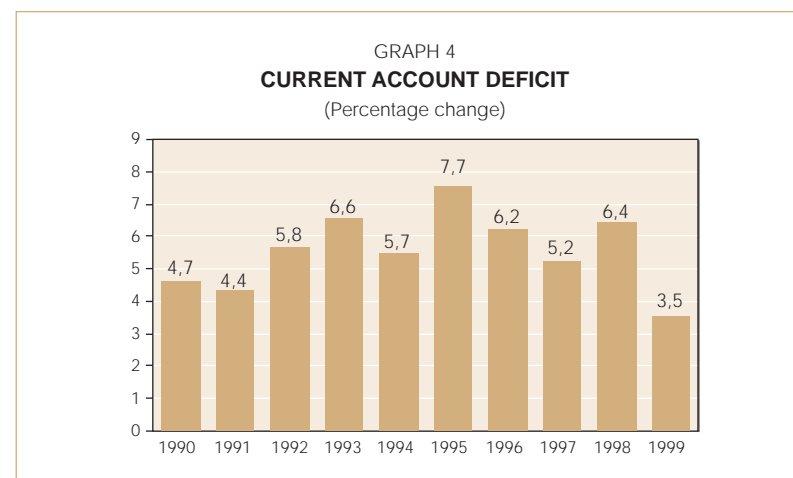
TABLE 10  
BALANCE OF PAYMENTS

	Millions of US dollars			Percentage of GDP		
	1997	1998	1999	1997	1998	1999
<b>I. CURRENT ACCOUNT BALANCE</b>	<b>-3 059</b>	<b>-3 634</b>	<b>-1 817</b>	<b>- 5,2</b>	<b>- 6,4</b>	<b>- 3,5</b>
1. Trade balance	-1 721	-2 466	- 616	- 2,9	- 4,3	- 1,2
<i>a. Exports</i>	6 832	5 757	6 113	11,6	10,1	11,8
<i>b. Imports</i>	-8 553	-8 222	-6 729	- 14,5	- 14,4	- 12,9
2. Services	- 767	- 593	- 600	- 1,3	- 1,0	- 1,2
<i>a. Exports</i>	1 538	1 748	1 522	2,6	3,1	2,9
<i>b. Imports</i>	-2 305	-2 341	-2 122	- 3,9	- 4,1	- 4,1
3. Investment income	-1 472	-1 488	-1 545	- 2,5	- 2,6	- 3,0
<i>a. Private sector</i>	- 971	-1 039	- 974	- 1,6	- 1,8	- 1,9
<i>b. Public sector</i>	- 502	- 449	- 571	- 0,9	- 0,8	- 1,1
4. Current transfers	901	912	944	1,5	1,6	1,8
<b>II. FINANCIAL ACCOUNT</b>	<b>5 705</b>	<b>1 718</b>	<b>760</b>	<b>9,7</b>	<b>3,0</b>	<b>1,5</b>
1. Private sector	2 463	1 959	2 041	4,2	3,4	3,9
2. Public sector	601	- 57	393	1,0	- 0,1	0,8
3. Short-term capital	2 641	- 185	-1 674	4,5	- 0,3	- 3,2
<b>III. EXCEPTIONAL FINANCING</b>	<b>- 829</b>	<b>365</b>	<b>18</b>	<b>- 1,4</b>	<b>0,6</b>	<b>0,0</b>
<b>IV. FLOW OF NET RESERVES OF BCRP (1 - 2)</b>	<b>-1 733</b>	<b>1 006</b>	<b>775</b>	<b>- 2,9</b>	<b>1,8</b>	<b>1,5</b>
(Increase with negative sign)						
1. Change in Central Bank reserves	-1 629	986	780	- 2,8	1,7	1,5
2. Valuation changes and monetization of gold	104	- 20	5	0,2	0,0	0,0
<b>V. NET ERRORS AND OMISSIONS</b>	<b>- 83</b>	<b>546</b>	<b>264</b>	<b>- 0,1</b>	<b>1,0</b>	<b>0,5</b>

In 1999, long-term private capitals exceeded the value of the current account deficit. Nevertheless, there was an important net outflow of short-term capital of US\$ 1 674 million, due to the repayment of external credit lines by local banks. This largely explains the reduction of US\$ 780 million of net international reserves in 1999, after a loss of US\$ 986 million reported in 1998. Even though, the stock of international reserves at the end of the year reached US\$ 8 404 million, which is equivalent to 1,2 times the debt due within a year, 5 times the monetary base, and covers 15 months of imports.

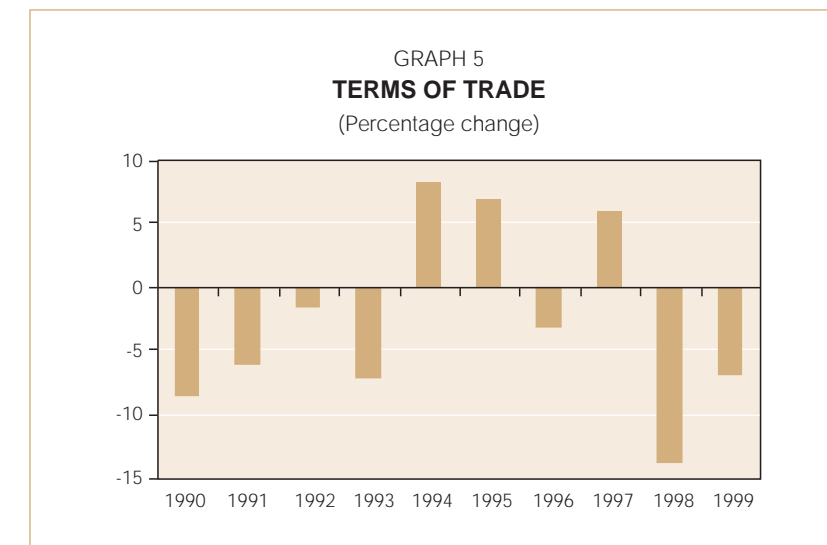
### 1. Trade Balance

The trade deficit was US\$ 616 million, 75 percent lower than in the previous year. Exports and imports amounted to US\$ 6 113 million and US\$ 6 729 million, respectively, the former increasing by 6 percent and the latter decreasing by 18 percent from their 1998 levels. Higher exports were associated with the increase in the export volume of mining products like gold, and with the recovery of fishing exports from the “El Niño” Phenomenon in 1998.



In 1999, the terms of trade fell by 7 percent, due to the decrease in the prices of fishoil (49 percent), fishmeal (39 percent), coffee (26 percent), cotton (26 percent) and lead (17 percent), partially offset by the higher prices of petroleum and derivatives (60 percent). The price index of imports

decreased by 0,1 percent due to a 17 percent reduction of the prices of the main food products, like soybean (31 percent), sugar (21 percent), milk (12 percent) and wheat (14 percent). At the same time, the average import price of petroleum and derivatives increased by 33 percent.



### Exports

Traditional exports reached US\$ 4 142 million, US\$ 430 million (12 percent) higher than in the previous year. The increase was due to higher exports of gold (US\$ 264 million), fishmeal (US\$ 141 million), fishoil (US\$ 50 million), silver (US\$ 39 million) and petroleum (US\$ 19 million). For the second year, gold was the main export product (20 percent of total exports). It should be noted that in volume terms, traditional exports increased by 14 percent, reflecting higher export volumes of fishmeal, fishoil, gold, silver and coffee.

Fishing exports were US\$ 601 million, US\$ 191 million (47 percent) higher than in the previous year, due to the increase in the export volumes of fishmeal and fishoil. Fishmeal exports reached US\$ 532 million -36 percent higher than in 1998- with a significant increase of export vol-

umes (121 percent) due to the recovery from the “El Niño” Phenomenon, particularly during the first half of the year. Prices were 39 percent lower than in 1998 because of the reduction in the price of soybean meal, a substitute, and the weakness of the demand from some European and Asian countries.

Exports of agricultural traditional products amounted to US\$ 282 million, US\$ 41 million (13 percent) lower than in the previous year, due to a decrease in coffee and sugar exports. Coffee exports fell by US\$19 million (7 percent) because of lower international prices (26 percent) resulting from higher world production. Nevertheless, the increase in national supply to record levels in 1999 led to a 26 percent rise in the export volume. Sugar exports decreased by US\$17 million (65 percent) due to the reduction in the United States export quota (17 thousand MT).

TABLE 11  
EXPORTS

	Millions of US dollars			Percentage change	
	1997	1998	1999	1998	1999
<b>I. TRADITIONAL PRODUCTS</b>	<b>4 705</b>	<b>3 712</b>	<b>4 142</b>	<b>- 21,1</b>	<b>11,6</b>
<b>FISHING</b>	<b>1 126</b>	<b>410</b>	<b>601</b>	<b>- 63,6</b>	<b>46,5</b>
Fishmeal	1 031	392	532	- 62,0	35,8
Fish oil	95	18	68	- 81,1	279,0
<b>AGRICULTURAL</b>	<b>472</b>	<b>323</b>	<b>282</b>	<b>- 31,6</b>	<b>- 12,6</b>
Cotton	32	4	2	- 87,5	- 60,3
Sugar	34	27	9	- 22,1	- 64,9
Coffee	397	287	268	- 27,7	- 6,7
Other agricultural products 1/	8	5	3	- 39,7	- 35,8
<b>MINERAL</b>	<b>2 731</b>	<b>2 747</b>	<b>3 008</b>	<b>0,6</b>	<b>9,5</b>
Copper 2/	1 096	779	776	- 29,0	- 0,3
Tin	133	119	133	- 11,0	12,0
Iron	76	96	67	26,0	- 30,7
Gold	500	928	1 192	85,7	28,4
Silver (refined)	105	131	169	24,6	29,7
Lead 2/	237	209	177	- 12,0	- 15,1
Zinc	539	445	462	- 17,4	3,9
Other mineral products 3/	43	40	31	- 7,9	- 23,0
<b>PETROLEUM AND DERIVATIVES</b>	<b>376</b>	<b>233</b>	<b>251</b>	<b>- 38,2</b>	<b>8,1</b>
<b>II. NON-TRADITIONAL PRODUCTS</b>	<b>2 046</b>	<b>1 967</b>	<b>1 874</b>	<b>- 3,9</b>	<b>- 4,7</b>
Agriculture and livestock	340	302	405	- 11,1	34,2
Textile	573	534	575	- 6,8	7,8
Fishing	278	225	190	- 19,0	- 15,4
Fabricated metal products and machinery	57	105	75	84,8	- 28,5
Chemical	206	196	194	- 4,8	- 0,9
Basic metal industries	234	222	198	- 4,9	- 11,0
Non-metallic minerals	51	52	51	0,4	- 0,5
Other products 4/	308	331	185	7,4	- 44,2
<b>III. OTHER PRODUCTS</b>	<b>81</b>	<b>78</b>	<b>97</b>	<b>- 3,3</b>	<b>23,9</b>
Fishing concessions	7	0	31	n.a.	n.a.
Other 5/	73	78	65	6,2	- 16,1
<b>IV. TOTAL EXPORTS</b>	<b>6 832</b>	<b>5 757</b>	<b>6 113</b>	<b>- 15,7</b>	<b>6,2</b>

1/ Coca leaf and derivatives, molasses, wool and furs.

2/ Includes silver content.

3/ Includes molybdenum, bismuth and tungsten.

4/ Includes jewelry in gold and silver, timber and papers, fur and leathers and handicrafts.

5/ Fuel and food sold to foreign ships and aircrafts and repairs on capital goods.

Exports of mineral products amounted to US\$ 3 008 million, US\$ 261 million higher than in 1998, due to the increase in gold, silver, zinc and tin exports, partially offset by lower sales of copper, lead, iron and the rest of mineral products. It must be mentioned that export volumes of

the main minerals increased -except for iron, due to lower demand from Asian countries- while most prices decreased, with the exception of the prices of zinc and silver. The total negative effect of the reduction in average prices of mineral exports amounted to US\$ 142 million.

Hydrocarbon exports reached US\$ 251 million, 8 percent higher than the previous year, due to the higher average prices of exports, crude oil and derivatives (73 and 45 percent, respectively). However, it should be noted that export volumes -mainly to the United States, Mexico and Chile- decreased by 33 percent.

In 1999, the main mining investment projects included Antamina, in which partners -Canada's Teck Corp, Noranda and Río Algom and Japan's Mitsubishi Corp.- invested around US\$ 650 million from equity or foreign loans, of an approximate US\$ 2 100 that the project will demand. In May, Minera Volcán acquired Paragsha, a mining unit of Cerro de Pasco, thus becoming the second world producer of zinc concentrates and the fifth world producer of silver. In October, Grupo México took control of Southern Peru when it absorbed the American company Asarco Inc. Finally, in November, Compañía Minera Milpo expanded through the acquisition of the Chilean copper mine Ivan.

Non-traditional exports amounted to US\$ 1 874 million, a US\$ 93 million (5 percent) decrease from 1998, due mainly to lower external sales of fishing, metal-mechanical and iron products. It should be mentioned that the

fall was partially associated with the elimination in 1998 of the duty drawback for gold and silver industrial goods, which encouraged some enterprises to shift to traditional-export activities. Agricultural and textile exports were the ones that increased the most. Sales to the United States, Spain, Chile, Bolivia and Mexico explained 59 percent of total non-traditional exports.

### Imports

In 1999 imports amounted to US\$ 6 729 million, a US\$ 1 494 million (18 percent) fall from the previous year, as a result of lower domestic demand. The reduction in capital-good imports (US\$ 463 million) and consumer-good imports (US\$ 445 million) explained more than 60 percent of the reduction. During the year, industrial companies cut their capital-good imports, while consumer-good imports that decreased the most were automobiles, telecommunication equipment and television and radio sets.

Imports of raw materials were down US\$ 371 million (11 percent) from 1998, mainly due to the fact that the industrial and agricultural sectors demanded less intermediate goods.

TABLE 12  
IMPORTS

	Millions of US dollars			Percentage change	
	1997	1998	1999	1998	1999
<b>I. CONSUMER GOODS</b>	<b>1 910</b>	<b>1 884</b>	<b>1 438</b>	<b>- 1,4</b>	<b>- 23,6</b>
Non-durable	1 107	1 146	932	3,5	- 18,7
Durable	803	738	506	- 8,1	- 31,4
<b>II. RAW MATERIALS AND INTERMEDIATE GOODS</b>	<b>3 437</b>	<b>3 386</b>	<b>3 015</b>	<b>- 1,5</b>	<b>- 11,0</b>
Fuels	780	580	641	- 25,7	10,5
For agriculture	202	204	185	1,1	- 9,3
For industry	2 454	2 602	2 190	6,0	- 15,8
<b>III. CAPITAL GOODS</b>	<b>2 816</b>	<b>2 602</b>	<b>2 140</b>	<b>- 7,6</b>	<b>- 17,8</b>
Building materials	244	215	199	- 12,0	- 7,5
For agriculture	28	45	66	58,3	46,3
For industry	2 037	1 768	1 397	- 13,2	- 21,0
Transportation equipment	507	574	478	13,4	- 16,7
<b>IV. OTHER GOODS 1/</b>	<b>390</b>	<b>350</b>	<b>136</b>	<b>- 10,2</b>	<b>- 61,3</b>
<b>V. TOTAL IMPORTS</b>	<b>8 553</b>	<b>8 222</b>	<b>6 729</b>	<b>- 3,9</b>	<b>- 18,2</b>
Note:					
Temporary admission	278	326	246	17,1	- 24,6
Free zone 2/	69	40	35	- 42,1	- 13,9
<b>Foodstuff 3/</b>	<b>700</b>	<b>780</b>	<b>575</b>	<b>11,5</b>	<b>- 26,3</b>
Wheat	189	182	160	- 4,0	- 11,9
Corn and/or sorghum	116	125	101	7,6	- 19,2
Rice	79	96	52	20,9	- 45,4
Sugar 4/	75	128	74	70,9	- 42,0
Dairy products	98	81	57	- 17,9	- 29,3
Soybean	115	144	110	25,3	- 23,4
Meat	27	24	20	- 9,0	- 19,2

1/ Includes donated goods, fuel and food bought by Peruvian ships and repairs of capital goods and other not considered in other categories.

2/ Imports into the Tacna Special Processing Area.

3/ Excludes gifts of food.

4/ Includes non-refined sugar classified as raw material.

## International Trade

The United States, together with Spain, Switzerland, the United Kingdom and Chile explain more than the half of Peru's foreign trade.

As to economic blocs, countries associated in the Asia-Pacific Economic Cooperation Forum (APEC) represented more than the half of Peru's international trade, as well as of exports

and imports taken separately. The second bloc in order of importance was the North American Free Trade Agreement (NAFTA), which represented 35 percent of total trade, followed by the European Union and the Latin American Association for Integration (ALADI).

Exports were directed mainly to APEC (51 percent), which includes NAFTA member countries (34 percent), followed by the European

Union (25 percent). Imports came mainly from APEC countries (55 percent), NAFTA (36 percent) and ALADI (29 percent). Excluding petroleum, trade with the Andean Group re-

presented 6 percent of the total, 2 percentage points lower than in the previous year. Finally, the share of MERCOSUR member countries decreased by 1 percent.

TABLE 13  
DIRECTION OF TRADE  
(In percent of total)

	Exports 1/			Imports 2/			X + M		
	1997	1998	1999	1997	1998	1999	1997	1998	1999
United States of America	23,8	32,9	29,3	31,9	32,5	31,6	28,3	32,7	30,5
Spain	2,3	2,7	3,0	8,6	7,4	7,5	5,7	5,4	5,4
Switzerland	6,1	8,5	9,3	1,1	1,4	1,6	3,4	4,4	5,2
United Kingdom	4,5	4,9	9,3	1,2	1,6	1,2	2,7	3,0	5,1
Chile	2,0	2,4	2,9	5,6	5,6	6,7	3,9	4,3	4,9
Japan	7,1	3,8	4,4	3,8	4,3	4,6	5,3	4,1	4,5
Germany	5,7	4,1	4,1	3,6	4,3	3,8	4,6	4,2	3,9
Brazil	3,8	3,1	2,9	4,1	4,2	4,0	4,0	3,7	3,4
Colombia	2,3	2,5	1,7	4,2	3,2	4,7	3,4	2,9	3,3
Venezuela	2,1	1,9	1,5	4,4	3,3	4,4	3,4	2,7	3,1
Mexico	1,7	2,4	2,8	3,2	2,9	2,7	2,5	2,7	2,8
People's Republic of China	7,3	4,1	3,6	1,4	1,3	1,7	4,1	2,4	2,6
Republic of South Korea	1,4	0,7	1,5	2,6	3,0	2,7	2,1	2,1	2,2
Other countries	29,9	26,0	23,7	24,3	25,0	22,8	26,6	25,4	23,1
<b>TOTAL</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

X: Exports M: Imports

1/ Exports exclude products classified as other exports and the repair of foreign ships and aircrafts.

2/ Imports exclude products classified as other imports and the repair of national ships and aircrafts abroad.

TABLE 14  
COMMERCIAL TRADE BY MAIN ECONOMIC BLOCS 1/  
(In percent of total)

	1997			1998			1999		
	X	M	X + M	X	M	X + M	X	M	X + M
APEC 2/	52	54	53	53	55	54	51	55	53
NAFTA 3/	27	38	33	38	38	38	34	36	35
EU	24	21	23	22	22	22	25	21	23
EURO ZONE	19	19	19	17	19	18	16	18	17
ALADI	16	28	23	17	26	22	15	29	22
ANDEAN GROUP 4/	8	9	8	8	7	8	6	8	7
MERCOSUR	5	8	7	4	9	7	3	8	6

X: Exports M: Imports

1/ Partial amounts do not add up to 100 percent due to superposition of countries among commercial blocs.

2/ Asia-Pacific Economic Cooperation.

3/ North American Free Trade Agreement, signed in 1993 by the United States of America, Canada and Mexico.

4/ Excludes trade of petroleum and derivatives.

## 2. Services

The service trade deficit reached US\$ 600 million, US\$ 7 million higher than in the previous year, as a result of the higher insurance and reinsurance deficit and the lower income from telecommunications services due to the progressive reduction of international fees.

These developments were partially offset by the favorable result of the travel balance and the reduction in the transport deficit. The travel surplus was the result of the increase in tourism, which generated US\$ 890 million, US\$ 45 million more than in the previous year, mainly due to a 13 percent increase in inflows of non-resident travelers.

TABLE 15  
SERVICES

	Millions of US dollars			Percentage change	
	1997	1998	1999	1998	1999
<b>I. TRANSPORTATION 1/</b>	<b>- 608</b>	<b>- 651</b>	<b>- 583</b>	<b>- 7,1</b>	<b>10,5</b>
1. Credit	294	306	223	4,4	- 27,2
2. Debit	- 902	- 958	- 806	- 6,2	15,9
<b>II. TRAVEL</b>	<b>383</b>	<b>393</b>	<b>446</b>	<b>2,6</b>	<b>13,6</b>
1. Credit	816	845	890	3,5	5,3
2. Debit	- 434	- 452	- 443	- 4,3	1,9
<b>III. COMMUNICATIONS</b>	<b>101</b>	<b>69</b>	<b>52</b>	<b>- 32,4</b>	<b>- 24,5</b>
1. Credit	168	126	105	- 24,9	- 17,0
2. Debit	- 67	- 58	- 53	13,5	8,0
<b>IV. INSURANCE AND REINSURANCE</b>	<b>- 46</b>	<b>149</b>	<b>- 24</b>	<b>425,6</b>	<b>- 116,0</b>
1. Credit	114	305	131	166,2	- 56,9
2. Debit	- 160	- 155	- 155	3,1	0,0
<b>V. OTHER 2/</b>	<b>- 597</b>	<b>- 552</b>	<b>- 491</b>	<b>7,5</b>	<b>11,1</b>
1. Credit	145	166	173	14,4	4,2
2. Debit	- 742	- 719	- 664	3,2	7,5
<b>VI. SERVICES</b>	<b>- 767</b>	<b>- 593</b>	<b>- 600</b>	<b>22,6</b>	<b>- 1,2</b>
1. Credit	1 538	1 748	1 522	13,7	- 12,9
2. Debit	- 2 305	- 2 341	- 2 122	- 1,6	9,4

1/ Includes mainly harbor tolls and transport commissions.

2/ Includes government, financial and informatic services as well as royalties, rent of equipment and services to firms.

## 3. Investment Income

Private sector financial expenditure amounted to US\$ 1 112 million, a US\$ 73 million decrease from 1998, as a result of lower interest due (US\$ 64

million), as well as lower profits and dividends (US\$ 88 million), partially offset by higher undistributed profits. Interest payments were US\$ 639 million, 9 percent lower than in the preceding year due to a decrease in short-term debt.

TABLE 16  
INVESTMENT INCOME

	Millions of US dollars			Percentage of GDP		
	1997	1998	1999	1997	1998	1999
<b>I. CREDITS</b>	<b>722</b>	<b>778</b>	<b>656</b>	<b>1,2</b>	<b>1,4</b>	<b>1,3</b>
1. Private sector	137	146	138	0,2	0,3	0,3
2. Public sector	585	632	517	1,0	1,1	1,0
<b>II. DEBITS</b>	<b>2 194</b>	<b>2 266</b>	<b>2 200</b>	<b>3,7</b>	<b>4,0</b>	<b>4,2</b>
1. Private sector	1 107	1 185	1 112	1,9	2,1	2,1
2. Public sector interest	1 087	1 081	1 088	1,8	1,9	2,1
<b>III. INCOME BALANCE (I-II)</b>	<b>-1 472</b>	<b>-1 488</b>	<b>-1 545</b>	<b>- 2,5</b>	<b>- 2,6</b>	<b>- 3,0</b>
1. Private sector	- 971	- 1 039	- 974	- 1,6	- 1,8	- 1,9
2. Public sector	- 502	- 449	- 571	- 0,9	- 0,8	- 1,1

### BOX 3

#### WORKER'S REMITTANCES FROM ABROAD

In 1998, the Grupo de Análisis para el Desarrollo (GRADE) made an estimation - requested by the Central Reserve Bank - of the volume of workers' remittances from abroad in 1997.

The estimation of the number of Peruvians living abroad as well as their social characteristics involved reviewing and updating of the population censuses of a number of countries. The estimation of the amount remitted considered the characteristics of the remitting population.

In order to establish the number of Peruvians abroad, GRADE reviewed the 1990 U.S. Census (U.S. Bureau of the Census); the 1995 Census of Spain (Instituto Nacional de Estadística); the 1990 Census of Mexico (Instituto Nacional de Estadística, Geografía e Informática), the 1990

Census of Argentina (Instituto Nacional de Estadística); the 1995 Census of Japan (Japan's Statistics Bureau); the 1997 Census of Chile (Instituto Nacional de Estadística y Ministerio de Relaciones Exteriores) and the Census of Canada (Statistics Bureau). In addition, the number of illegal immigrants was estimated based on information from the U.S., Spain, Chile and Argentina. With that information, the total number of Peruvians remitting funds from abroad was estimated at 460 thousand people.

To estimate the volume of remittances, Cuánto Institute's National Survey of Living Standards (1997) was used. They identified the characteristics of Peruvians abroad -based on the characteristics of their homes- and the effects of those characteristics -age, gender and education- on the volume of remittances. Applying those coefficients, the conclusion was that the minimum remittance (around US\$ 250 yearly) corresponded to a woman 16-24 years old with the lowest education level, and the maximum remittance (around US\$ 2 300 yearly) corresponded to a professional man 55-64 years old.

While the U.S. Census contained characteristics such as age, sex and education level, a distribution of the population was estimated for other countries using information from the censuses of Spain and Japan. Using this distribution, total remittances were estimated at US\$ 636 million for 1997, which is significantly higher than the previous estimate (US\$ 219 million).

#### 4. Financial Account: Private Sector

Private capital inflows were US\$ 2 041 million, an US\$ 82 million increase from 1998 resulting mainly from a US\$ 159 million increase in privatization inflows, partially offset by falls in direct investment excluding privatization and long-term loans.

Foreign direct investment excluding privatization amounted to US\$ 1 750 million, US\$ 70 million (3,8 percent) lower than the previous year. The main investments were in the mining and industrial sectors (49 percent of the total). US\$ 480 million and US\$ 170 million were invested in the Antamina mining project and the beverage industry, respectively. In the services

sector, foreign investment in telecommunications and energy sectors amounted to around US\$ 190 million and US\$ 105 million, respectively.

Long-term private borrowing reached US\$ 388 million, US\$ 35 million lower than in the previous year. The main inflows were directed to the mining sector (US\$ 250 million), mainly to Antamina, as well as to the services sector (US\$ 215 million).

Portfolio investment registered a net outflow of US\$ 316 million. Portfolio investment through equity issues was negative in US\$ 291 million, mainly due to the US\$ 163 million acquisition of American Depositary Receipts (ADR's) by Telefónica (the last part of a program involving US\$ 523 million).

In 1999, foreign direct investment associated with privatization amounted to US\$ 219 million, mainly due to the sale of the government's share in Telefónica (US\$ 86

million) and in the electricity generation enterprise EGENOR (US\$ 57 million); as well as the sale of the Cajamarquilla refinery (US\$ 42 million).

TABLE 17  
PRIVATE SECTOR LONG-TERM CAPITAL FLOWS

	Millions of US dollars			Percentage of GDP		
	1997	1998	1999	1997	1998	1999
<b>I. DIRECT INVESTMENT WITHOUT PRIVATIZATION</b>	<b>1 552</b>	<b>1 820</b>	<b>1 750</b>	<b>2,6</b>	<b>3,2</b>	<b>3,4</b>
<b>II. LONG-TERM LOANS</b>	<b>449</b>	<b>423</b>	<b>388</b>	<b>0,8</b>	<b>0,7</b>	<b>0,7</b>
Disbursements	1 718	1 766	1 872	2,9	3,1	3,6
Amortization	-1 269	-1 344	-1 484	-2,2	-2,4	-2,9
<b>III. PORTFOLIO INVESTMENT</b>	<b>317</b>	<b>-343</b>	<b>-316</b>	<b>0,5</b>	<b>-0,6</b>	<b>-0,6</b>
Stock Market and ADR's	67	-492	-291	0,1	-0,9	-0,6
Bonds (net)	250	148	-25	0,4	0,3	0,0
<b>IV. PRIVATE SECTOR LONG-TERM CAPITAL FLOWS EXCLUDING PRIVATIZATION (I+II+III)</b>	<b>2 318</b>	<b>1 899</b>	<b>1 822</b>	<b>3,9</b>	<b>3,3</b>	<b>3,5</b>
<b>V. PRIVATIZATION</b>	<b>145</b>	<b>60</b>	<b>219</b>	<b>0,2</b>	<b>0,1</b>	<b>0,4</b>
<b>VI. TOTAL</b>	<b>2 463</b>	<b>1 959</b>	<b>2 041</b>	<b>4,2</b>	<b>3,4</b>	<b>3,9</b>

TABLE 18  
MAIN DIRECT INVESTMENT WITHOUT PRIVATIZATION  
(Millions of US dollars)

	1997	1998	1999
Hydrocarbon (net of debt service and depreciation)	271	429	113
Mining	242	170	515
Financial sector	133	195	298
Services	490	635	296
Industrial sector	350	354	347
Energy	63	35	105
<b>MAIN DIRECT INVESTMENT WITHOUT PRIVATIZATION</b>	<b>1 549</b>	<b>1 818</b>	<b>1 674</b>

#### 5. Financial Account: Public sector

The public sector account recorded a positive balance of US\$ 393 million, up US\$ 450 million from the previous year.

This result was determined by incoming resources of US\$ 1 237 million of disbursements and US\$ 117 million of net flows from the item bonds and others, partially offset by the outflow of US\$ 961 million of principal falling due.

TABLE 19  
PUBLIC SECTOR FINANCIAL ACCOUNT 1/

	Millions of US dollars			Percentage of GDP		
	1997	1998	1999	1997	1998	1999
<b>I. Disbursements</b>	<b>1 774</b>	<b>790</b>	<b>1 237</b>	<b>3,0</b>	<b>1,4</b>	<b>2,4</b>
a. Investment projects	855	680	815	1,5	1,2	1,6
b. Defense	9	0	8	0,0	0,0	0,0
c. Food Imports	0	10	0	0,0	0,0	0,0
d. Cash Disbursements 2/	910	100	414	1,5	0,2	0,8
<b>II. Amortization</b>	<b>- 837</b>	<b>- 859</b>	<b>- 961</b>	<b>-1,4</b>	<b>-1,5</b>	<b>-1,8</b>
<b>III. Bonds and others 3/</b>	<b>- 336</b>	<b>12</b>	<b>117</b>	<b>-0,6</b>	<b>0,0</b>	<b>0,2</b>
<b>IV. Total</b>	<b>601</b>	<b>- 57</b>	<b>393</b>	<b>1,0</b>	<b>-0,1</b>	<b>0,8</b>

1/ Medium and long term; excludes credits granted to the BCRP as balance of payments support.

2/ Includes US\$ 790 million of disbursements assigned to finance the Brady Plan.

3/ Includes the change in long term international assets of the Public Sector. In 1997, includes Brady Plan collaterals.

### Disbursements

Disbursements were US\$ 1 237 million, up US\$ 447 million than one year earlier due to an increase in cash disbursements by US\$ 314 million.

US\$ 815 million of total disbursements were used to finance investment projects, (66 percent of the total). These credits were principally directed to productive sectors, social infrastructure and economic infrastructure (39,

TABLE 20  
DISBURSEMENTS BY FINANCIAL SOURCE 1/

	Millions of US dollars			Percentage of GDP		
	1997	1998	1999	1997	1998	1999
Multilateral organization	1 386	603	960	2,4	1,1	1,8
Paris Club	263	106	245	0,4	0,2	0,5
Latina America	0	0	7	0,0	0,0	0,0
Eastern European Countries 2/	18	1	1	0,0	0,0	0,0
Commercial Banks	107	80	21	0,2	0,1	0,0
Suppliers	0	0	3	0,0	0,0	0,0
<b>TOTAL</b>	<b>1 774</b>	<b>790</b>	<b>1 237</b>	<b>3,0</b>	<b>1,4</b>	<b>2,4</b>
From committed loans	864	690	823	1,5	1,2	1,6
Free Availability	120	100	414	0,2	0,2	0,8
Brady Plan Financing	790	0	0	1,3	0,0	0,0

1/ Medium and long term; excludes credits granted to the BCRP to support the balance of payments.

2/ Includes People's Republic of China.

34 and 26 percent, respectively) and were provided mainly by multilateral organizations and the countries members of the Paris Club, who contributed with 78 and 20 percent respectively. Within the multilateral organizations the Inter American Development Bank (IDB) provided US\$ 486 million, the World Bank (IBRD) US\$ 381 million and the CAF US\$ 86 million. Japan and Germany, members of the Paris Club, also contributed with US\$ 245 million.

### Amortization

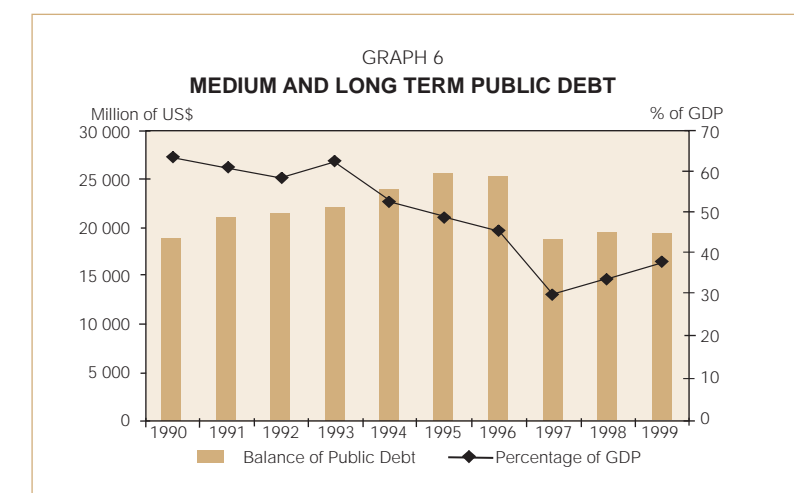
External debt amortization reached US\$ 961 million, of which US\$ 937 million was paid at maturity and US\$ 24 million was forgiven. Compared with 1998, amortization increased by US\$ 102 million due to a higher amount of principal falling due of Brady bonds. The latter was a consequence of the US\$ 269 million swap of external by internal debt, between the Banco de la Nación and

the Ministry of Economy and Finance (MEF). The main financial sources paid were multilateral organizations (US\$ 272 million), bond holders (US\$ 269 million) and the countries members of the Paris Club (US\$ 253 million).

### Loan commitments

New medium-and long term- commitments reached US\$ 2 329 million in 1999, 302 percent higher than the previous year representing 73 percent of the total amount authorized by the 1999 External Indebtedness Law.

In 1999, US\$ 1 413 million of total commitments were earmarked for investment projects and US\$ 900 million were directed to free availability loans. Concerning the main financial sources, the Paris Club contributed with US\$ 1 206 million, which the Japan Bank for International Cooperation Japan Bank (JBIC) was the main source, with US\$ 1 162 million.



## 6. Short-term capital

Short-term capital inflows were negative in US\$ 1 674 million, US\$ 1 489 million lower than the previous year. This reduction was the result mainly of the lower net borrowing of banks (US\$ 939 million) and of the non-financial sector (US\$ 358 million). This effect is accentuated by the effect of the external assets of the banks with a lower negative value in US\$ 333 million.

## 7. International Investment Position

Total international assets reached US\$ 14 141 million in 1999, down US\$ 806 million (5 percent) from a year earlier. The decrease in Central Reserve Bank assets by US\$ 980 million (10 percent) has been partially offset by the US\$ 174 million (4 percent) increase in other sectors' (financial and non-financial) foreign assets.

Total international liabilities amounted to US\$ 40 161 million, down US\$ 745 million from the previous year. From total liabilities, 58 percent are medium- and long-term debt, 30 percent foreign investment and 12 percent short-term debt.

Total medium- and long-term debt was equivalent to 45,1 percent of GDP,

up 4,4 percentage points from the previous year.

Medium - and long-term public debt amounted to US\$ 19 500 million in 1999, down US\$ 62 million from 1998. This decrease corresponds to a exchange rate effect (US\$ 177 million), a forgiveness from Rumania (US\$ 13 million) and the savings of US\$ 134 million as a result of the purchase of US\$ 403 million of Brady bonds to the Banco de la Nación at a discount price, that exceeded the increase of the level of net indebtedness (US\$ 262 million).

Total Central Reserve Bank debt decreased US\$ 167 million due to amortization of liabilities with the International Monetary Fund (IMF). The US\$ 388 million increase in private sector debt was basically associated with the operations of Antamina and Telefónica.

Short-term debt totaled US\$ 4 552 million, down US\$ 1 670 million from the previous year, associated to credit restriction to enterprises.

Foreign investment increased by US\$ 766 million (7 percent), to US\$ 12 195 million, mainly as a result of a US\$ 670 million increase in direct investment (8 percent), and to a lesser extent due to the US\$ 96 million (3 percent) increase in portfolio investment.

TABLE 21  
INTERNATIONAL INVESTMENT POSITION  
(Levels at the end of period)

	Millions of US dollars			Percentage of GDP		
	1997	1998	1999	1997	1998	1999
<b>I. ASSETS</b>	<b>16 141</b>	<b>14 947</b>	<b>14 141</b>	<b>27,4</b>	<b>26,2</b>	<b>27,2</b>
1. RESERVE ASSETS OF THE BCRP	11 119	9 982	9 002	18,9	17,5	17,3
2. FINANCIAL SYSTEM (EXCLUDES BCRP)	1 607	1 760	2 063	2,7	3,1	4,0
3. OTHER ASSETS	3 415	3 205	3 076	5,8	5,6	5,9
<b>II. LIABILITIES</b>	<b>40 392</b>	<b>40 906</b>	<b>40 161</b>	<b>68,5</b>	<b>71,7</b>	<b>77,3</b>
<b>1. PUBLIC AND PRIVATE EXTERNAL DEBT</b>	<b>28 642</b>	<b>29 477</b>	<b>27 966</b>	<b>48,6</b>	<b>51,6</b>	<b>53,8</b>
a. MEDIUM AND LONG-TERM	22 171	23 256	23 414	37,6	40,7	45,1
Private sector	2 515	2 937	3 325	4,3	5,1	6,4
BCRP	869	756	589	1,5	1,3	1,1
Public sector	18 787	19 562	19 500	31,9	34,3	37,5
b. SHORT-TERM	6 472	6 222	4 552	11,0	10,9	8,8
Financial system (excludes BCRP)	3 320	3 224	2 061	5,6	5,6	4,0
BCRP	81	43	10	0,1	0,1	0,0
Other	3 071	2 955	2 481	5,2	5,2	4,8
<b>2. FOREIGN INVESTMENT</b>	<b>11 750</b>	<b>11 428</b>	<b>12 195</b>	<b>19,9</b>	<b>20,0</b>	<b>23,5</b>
a. DIRECT INVESTMENT	7 742	8 220	8 890	13,1	14,4	17,1
b. PORTFOLIO INVESTMENT	4 008	3 209	3 305	6,8	5,6	6,4
Stock Market and ADR's	3 685	2 737	2 859	6,3	4,8	5,5
Bonds	323	471	446	0,5	0,8	0,9