

### III. EXTERNAL SECTOR

The current account deficit of the balance of payments decreased from US\$ 1 919 million (3,7 percent of GDP) in 1999 to US\$ 1 627 million in

2000 (3,0 percent of GDP). This result was explained mainly by a lower trade balance deficit (from US\$ 631 million in 1999 to US\$ 321 million in 2000) associated with a US\$ 909 million increase in exports, partly offset by a US\$ 600 million increase in imports.

TABLE 10  
BALANCE OF PAYMENTS

	Millions of US dollars			Percentage of GDP		
	1998	1999	2000	1998	1999	2000
<b>I. CURRENT ACCOUNT BALANCE</b>	<b>-3 634</b>	<b>-1 919</b>	<b>-1 627</b>	<b>-6,4</b>	<b>-3,7</b>	<b>-3,0</b>
1. Trade balance	-2 466	-631	-321	-4,3	-1,2	-0,6
a. Exports	5 757	6 119	7 028	10,1	11,9	13,1
b. Imports	-8 222	-6 749	-7 349	-14,4	-13,1	-13,7
2. Services	-658	-701	-783	-1,2	-1,4	-1,5
a. Exports	1 775	1 578	1 575	3,1	3,1	2,9
b. Imports	-2 433	-2 278	-2 357	-4,3	-4,4	-4,4
3. Investment income	-1 488	-1 581	-1 542	-2,6	-3,1	-2,9
a. Private sector	-1 044	-1 015	-1 027	-1,8	-2,0	-1,9
b. Public sector	-444	-566	-514	-0,8	-1,1	-1,0
4. Current transfers	978	994	1 018	1,7	1,9	1,9
<b>II. FINANCIAL ACCOUNT</b>	<b>1 920</b>	<b>1 106</b>	<b>1 108</b>	<b>3,4</b>	<b>2,1</b>	<b>2,1</b>
1. Private sector	2 163	2 399	1 199	3,8	4,6	2,2
a. Foreign direct investment without privatization	1 782	2 044	452	3,1	4,0	0,8
b. Long-term loans	677	435	792	1,2	0,8	1,5
c. Bonds (net)	122	-20	-21	0,2	-0,0	-0,0
d. Stock market and ADR's	-346	-107	123	-0,6	-0,2	0,2
e. Other external assets	-131	-172	-375	-0,2	-0,3	-0,7
f. Privatization	60	219	229	0,1	0,4	0,4
2. Public sector	-57	383	277	-0,1	0,7	0,5
a. Disbursements	790	1 237	1 485	1,4	2,4	2,8
b. Amortization	-859	-971	-1 045	-1,5	-1,9	-2,0
c. Net external assets	12	117	-163	0,0	0,2	-0,3
3. Short-term capital	-187	-1 676	-368	-0,3	-3,2	-0,7
<b>III. EXCEPTIONAL FINANCING</b>	<b>365</b>	<b>28</b>	<b>-58</b>	<b>0,6</b>	<b>0,1</b>	<b>-0,1</b>
<b>IV. FLOW OF NET RESERVES OF BCRP (1 - 2)</b>	<b>1 006</b>	<b>775</b>	<b>190</b>	<b>1,8</b>	<b>1,5</b>	<b>0,4</b>
(Increase with negative sign)						
1. Change in Central Bank reserves	986	780	224	1,7	1,5	0,4
2. Valuation changes and monetization of gold	-20	5	34	0,0	0,0	0,1
<b>V. NET ERRORS AND OMISSIONS</b>	<b>343</b>	<b>10</b>	<b>387</b>	<b>0,6</b>	<b>0,0</b>	<b>0,7</b>

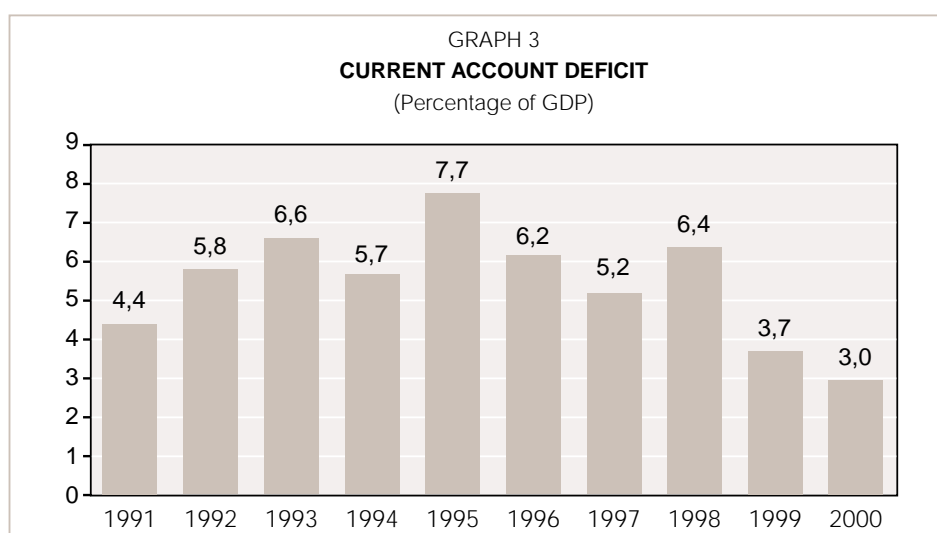


External capital flows registered in the financial account of the balance of payments reached US\$ 1 108 million in

2000, up US\$ 2 million from the previous year. It should be noted that there was a significant decrease in the

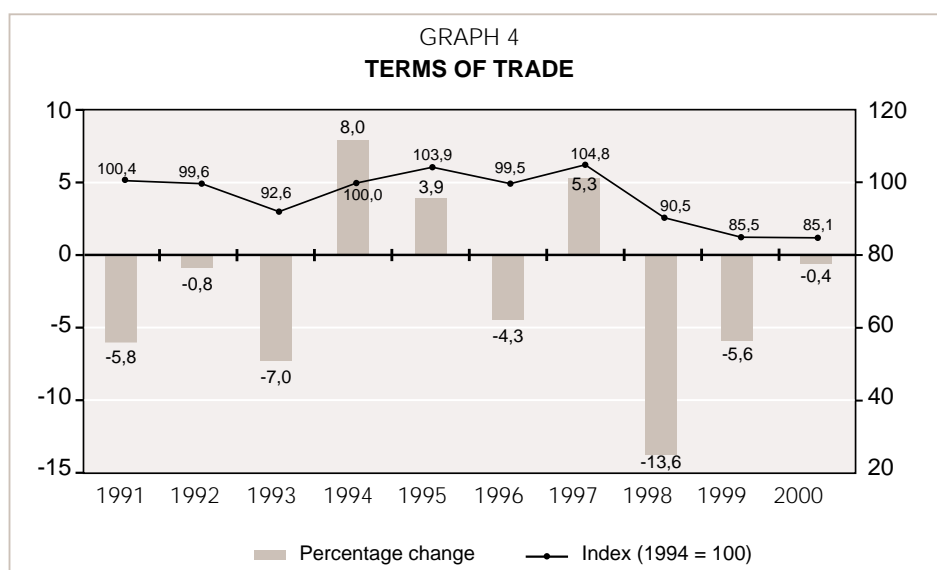
net outflow of short-term capital, from US\$ 1 676 million in 1999 to US\$ 368 million, offset by a reduction in long-term private capital inflows from US\$ 2 399 million in 1999 to US\$ 1 199 million in 2000. In particular, uncertainty caused by the political

situation caused a decline in direct investment and long-term loans to the private sector from US\$ 2 479 million in 1999 to US\$ 1 244 million in 2000 (76 percent of the current account deficit).



In 2000 the flow of net international reserves (NIR) was negative by US\$ 224 million, lower than the reduction registered the previous year (US\$ 780 million). Nevertheless, at the end of the year the international liquidity

position continued to be strong. NIR reached US\$ 8 180 million, equivalent to 13 months of imports, 5 times the monetary base and 122 percent of the public and private debt due within a year.



## Exports

In the year 2000, **exports** reached US\$ 7 028 million, up US\$ 910 million (15 percent) from the previous year. The increase was explained by the dynamism of fishmeal exports (US\$ 341 million), non-traditional exports (US\$ 171 million), copper (US\$ 154 million) and hydrocarbons (US\$ 151 million).

Higher exports were the result of the increase in exports prices (4,9 percent) and export volume. The latter was due to higher fishmeal (59 percent), fish oil (76 percent), tin (26 percent), zinc (18 percent) and lead (12 percent) exports. Additionally, there was a significant recovery in oil (77 percent) and copper (18 percent) prices. It should be noted that these originated a positive price effect equivalent to US\$ 200 million in 2000, versus a negative price effect in US\$ 849 million in 1998 and of US\$ 546 million in 1999.

The slight 0,4 percent reduction in terms of trade was due to the fact that the increase in the prices of imports (5,3 percent) partly originated by the 65 percent increase in the price of imported fuel, exceeded the increase in the prices of exports (4,9 percent).

Fishmeal exports totaled US\$ 873 million, up US\$ 341 million (64 percent) relative to 1999. A 59-percent increase in volume terms —resulting from high levels of anchovy extraction— took place mainly during the second half of the year.

External coffee sales decreased by US\$ 45 million (17 percent), due mainly to the fall in international

prices caused by world excess supply. However, the average price was 73 US\$/q. (13 percent lower than in 1999), a level not registered since 1993.

Gold exports reached US\$ 1 145 million, US\$ 48 million (4 percent) lower than in 1999. Average export prices fell to its lower level in 22 years (1 percent lower than in 1999), and export volume decreased 3 percent.

Copper exports totaled US\$ 930 million in 2000. The US\$ 154-million increase relative to 1999 was due to higher average prices (18 percent) and export volumes (2 percent). Higher world demand and the reduction in U.S. production increased international prices to levels not registered since 1997.

Hydrocarbon exports —demanded mainly by the U.S., Chile and South Korea— reached US\$ 402 million, a 60-percent increase from 1999, due to higher average prices of crude oil and derivatives (84 y 68 percent respectively). Export volumes were 9 percent lower than in 1999.

**Non-traditional exports** totaled US\$ 2 047 million, US\$ 171 million (9 percent) more than in 1999. The most dynamic activities were textiles, chemicals, basic metal industries, fabricated metal products and machinery and other non-traditional exports. Peru's main markets (58 percent of total export value) were, in order of importance, the U.S., Chile, Spain, Colombia and Bolivia.



TABLE 11  
EXPORTS

	Millions of US dollars			Percentage change	
	1998	1999	2000	1999	2000
<b>I. TRADITIONAL PRODUCTS</b>	<b>3 712</b>	<b>4 142</b>	<b>4 817</b>	<b>11,6</b>	<b>16,3</b>
<b>FISHING</b>	<b>410</b>	<b>601</b>	<b>954</b>	<b>46,6</b>	<b>58,8</b>
Fishmeal	392	533	873	35,9	63,9
Fish oil	18	68	81	279,0	18,5
<b>AGRICULTURAL</b>	<b>323</b>	<b>282</b>	<b>249</b>	<b>-12,6</b>	<b>-11,8</b>
Coffee	287	268	223	-6,6	-16,7
Sugar	27	9	16	-65,0	70,7
Cotton	4	2	5	-60,3	214,3
Other agricultural products 1/	5	3	5	-35,7	42,9
<b>MINERAL</b>	<b>2 747</b>	<b>3 008</b>	<b>3 212</b>	<b>9,5</b>	<b>6,8</b>
Gold	928	1 192	1 145	28,4	-4,0
Copper 2/	779	776	930	-0,3	19,9
Zinc	445	462	496	3,9	7,2
Lead 2/	209	177	190	-15,1	7,5
Silver (refined)	131	169	179	29,7	6,0
Tin	119	133	166	12,0	25,1
Iron	96	67	67	-30,7	-0,3
Other mineral products 3/	40	31	39	-23,0	25,6
<b>PETROLEUM AND DERIVATIVES</b>	<b>233</b>	<b>251</b>	<b>402</b>	<b>7,8</b>	<b>60,1</b>
<b>II. NON-TRADITIONAL PRODUCTS</b>	<b>1 967</b>	<b>1 876</b>	<b>2 047</b>	<b>-4,6</b>	<b>9,1</b>
Textiles	534	575	701	7,8	21,8
Agriculture and livestock	302	406	393	34,3	-3,2
Basic metal industries	222	198	215	-11,0	8,7
Chemical	196	195	212	-0,9	8,9
Fishing	225	190	187	-15,4	-2,0
Fabricated metal products and machinery	105	76	92	-27,5	21,2
Non-metallic minerals	52	51	47	-0,5	-9,3
Other products 4/	331	185	202	-44,1	9,2
<b>III. OTHER PRODUCTS</b>	<b>78</b>	<b>100</b>	<b>164</b>	<b>28,6</b>	<b>63,5</b>
Fishing concessions	0	31	83	n.a.	166,5
Other 5/	78	69	81	-11,4	16,9
<b>IV. TOTAL EXPORTS</b>	<b>5 757</b>	<b>6 119</b>	<b>7 028</b>	<b>6,3</b>	<b>14,9</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 paper, fur and leathers and handicrafts.

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

## Imports

**Imports** totaled US\$ 7 349 million in 2000, US\$ 600 million (9 percent) higher than in 1999. This result was due to an increase in imports of raw materials (US\$ 649 million) and consumer goods (US\$ 13 million), which was partially offset mainly by lower imports of capital goods.

Imports of consumer goods amounted to US\$ 1 446 million. The US\$ 13 million (1 percent) increase is

explained by higher acquisitions of durable goods (US\$ 81 million), mostly TV sets, vehicles, radios and telecommunications equipment (US\$ 43 million in total), which were offset by lower acquisitions of non-durable goods (US\$ 67 million), mainly sugar, rice, and milk products (US\$ 73 million in total).

Imported raw materials reached US\$ 3 655 million, up US\$ 649 million (22 percent) from the previous year.

TABLE 12  
IMPORTS

	Millions of US dollars			Percentage change	
	1998	1999	2000	1999	2000
<b>I. CONSUMER GOODS</b>	<b>1 884</b>	<b>1 432</b>	<b>1 446</b>	<b>- 24,0</b>	<b>0,9</b>
Non-durable	1 146	927	859	- 19,2	- 7,3
Durable	738	506	587	- 31,4	15,9
<b>II. RAW MATERIALS AND INTERMEDIATE GOODS</b>	<b>3 386</b>	<b>3 006</b>	<b>3 655</b>	<b>- 11,2</b>	<b>21,6</b>
Fuels	580	641	1 084	10,5	69,2
For agriculture	204	186	214	- 8,9	14,8
For industry	2 602	2 179	2 357	- 16,3	8,2
<b>III. CAPITAL GOODS</b>	<b>2 602</b>	<b>2 133</b>	<b>2 109</b>	<b>- 18,1</b>	<b>- 1,1</b>
Building materials	215	199	212	- 7,5	6,4
For agriculture	45	62	30	37,7	- 50,8
For industry	1 768	1 395	1 427	- 21,1	2,3
Transportation equipment	574	477	440	- 16,9	- 7,7
<b>IV. OTHER GOODS 1/</b>	<b>350</b>	<b>179</b>	<b>140</b>	<b>- 49,0</b>	<b>- 21,7</b>
<b>V. TOTAL IMPORTS</b>	<b>8 222</b>	<b>6 749</b>	<b>7 349</b>	<b>- 17,9</b>	<b>8,9</b>
<b>Note:</b>					
<b>Foodstuff 2/</b>	<b>780</b>	<b>566</b>	<b>482</b>	<b>- 27,4</b>	<b>- 14,9</b>
Wheat	182	157	151	- 13,4	- 4,0
Corn and/or sorghum	125	101	80	- 19,2	- 21,0
Rice	96	52	24	- 45,7	- 53,9
Sugar 3/	128	74	41	- 42,0	- 45,3
Dairy products	81	57	44	- 29,3	- 23,5
Soybean	144	105	125	- 27,2	18,9
Meat	24	20	18	- 19,2	- 7,4

1/ Includes donated goods, capital goods under leasing and other not considered in other category.

2/ Excludes gifts of food.

3/ Includes non-refined sugar classified as raw materials.



Hydrocarbons increased US\$ 444 million and raw materials for industry and agriculture increased US\$ 178 and US\$ 27 million, respectively.

Imports of capital goods declined to US\$ 2 109 million —down US\$ 24 million (1 percent) relative to the previous year— due to lower acquisitions from the transport (US\$ 37 million) and agriculture (US\$ 31 million) sectors. The decrease was partially offset by higher imports of equipment for the industrial sector (US\$ 32 million) and building materials (US\$ 13 million).

Foodstuff imports decreased US\$ 84 million due to lower imports of sugar (US\$ 34 million), rice (US\$ 28 million) and corn (US\$ 21 million). The negative price effect (US\$ 13 million) was explained by lower average prices of wheat (US\$ 14 million), rice (US\$ 7 million) and corn (US\$ 3 million).

### International Trade

In 2000, the U.S. was Peru's main commercial partner, accounting for 29 percent of its total trade (2 percent points less than in 1999). This

TABLE 13  
**DIRECTION OF TRADE**  
(In percent of total)

	Exports 1/			Imports 2/			X + M		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
United States of America	32,9	29,6	27,5	32,5	31,7	29,7	32,7	30,7	28,6
Spain	2,7	3,0	2,7	7,4	7,5	9,2	5,4	5,4	6,0
Chile	2,4	2,9	3,8	5,6	6,7	7,1	4,3	4,9	5,5
Japan	3,8	4,3	5,6	4,3	4,6	4,2	4,1	4,5	4,9
United Kingdom	4,9	9,4	8,3	1,6	1,2	1,4	3,0	5,1	4,8
Switzerland	8,5	9,2	8,0	1,4	1,6	1,4	4,4	5,2	4,6
People's Republic of China	4,1	3,6	6,4	1,3	1,7	1,8	2,4	2,6	4,1
Brazil	3,1	2,9	3,2	4,2	3,9	4,4	3,7	3,4	3,8
Colombia	2,5	1,7	2,1	3,2	4,7	4,7	2,9	3,3	3,4
Venezuela	1,9	1,5	1,6	3,3	4,4	4,8	2,7	3,0	3,3
Germany	4,1	4,1	3,1	4,3	3,8	3,1	4,2	3,9	3,1
Mexico	2,4	2,8	2,2	2,9	2,7	2,9	2,7	2,8	2,5
Republic of South Korea	0,7	1,5	2,3	3,0	2,7	2,5	2,1	2,1	2,4
Other countries	26,0	23,6	23,1	25,0	22,6	22,7	25,4	23,1	22,9
TOTAL	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

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.

reduction was explained by a decrease in exports and imports (2 percent each). It must be noted that trade with the U.S. has decreased 4 percent points since 1998. In spite of that, the U.S., together with Spain, Chile, Japan and the U.K., explained more than half of our exports and imports.

APEC countries represent a 50-percent share of total foreign trade (as well as of exports and imports considered separately). The second most important economic bloc in Peru's trade was the Free Trade Agreement of the Americas (33

percent), followed by ALADI and the European Union.

Exports were mainly directed to APEC country members (55 percent), which include NAFTA country members (32 percent). Other important export markets were the European Union (21 percent) and ALADI (16 percent). Imports came mainly from APEC (54 percent), NAFTA (35 percent) and ALADI (30 percent) country members. Excluding oil, trade with the Andean Community and MERCOSUR represented 7 and 6 percent, respectively, the same shares as in the previous year.



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

	1998			1999			2000		
	X	M	X+M	X	M	X+M	X	M	X+M
APEC 2/	53	55	54	51	55	53	55	54	54
NAFTA 3/	38	38	38	34	37	35	32	35	33
EU	22	22	22	25	20	23	21	21	21
EURO ZONE	17	19	18	16	18	17	13	18	15
ALADI	17	26	22	15	29	22	16	30	23
ANDEAN GROUP 4/	8	7	8	6	8	7	6	8	7
MERCOSUR	4	9	7	3	8	6	4	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.

## Services

The US\$ 82-million increase in the services balance deficit (US\$ 783 million in 2000), resulted from a decline in the travel (US\$ 65 million) and communications (US\$ 30 million)

surpluses, as well as from deficits in transport services (US\$ 47 million) and insurance and reinsurance operations (US\$ 9 million). This was partially offset by a lower deficit in the “other private services” balance (US\$ 69 million).

TABLE 15  
SERVICES

	Millions of US dollars			Percentage change	
	1998	1999	2000	1999	2000
<b>I. TRANSPORTATION</b>	<b>-651</b>	<b>-572</b>	<b>-619</b>	<b>12,2</b>	<b>-8,2</b>
1. Credit	306	223	238	-27,3	7,1
2. Debit	-958	-795	-857	17,0	-7,8
<b>II. TRAVEL</b>	<b>392</b>	<b>446</b>	<b>381</b>	<b>13,8</b>	<b>-14,5</b>
1. Credit	845	890	911	5,3	2,5
2. Debit	-453	-443	-530	2,1	-19,6
<b>III. COMMUNICATIONS</b>	<b>69</b>	<b>52</b>	<b>22</b>	<b>-24,5</b>	<b>-57,6</b>
1. Credit	126	105	84	-17,0	-19,4
2. Debit	-58	-53	-63	8,0	-17,9
<b>IV. INSURANCE AND REINSURANCE</b>	<b>149</b>	<b>-31</b>	<b>-40</b>	<b>-120,5</b>	<b>-31,4</b>
1. Credit	305	133	110	-56,3	-17,7
2. Debit	-155	-164	-150	-5,5	8,5
<b>V. OTHER <sup>1/</sup></b>	<b>-617</b>	<b>-596</b>	<b>-527</b>	<b>3,4</b>	<b>11,5</b>
1. Credit	192	228	231	18,3	1,4
2. Debit	-809	-823	-758	-1,8	8,0
<b>VI. SERVICES</b>	<b>-658</b>	<b>-701</b>	<b>-783</b>	<b>-6,5</b>	<b>-11,7</b>
1. Credit	1,775	1,578	1,575	-11,1	-0,2
2. Debit	-2,433	-2,278	-2,357	6,3	-3,5

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

## Investment Income

The investment income deficit was US\$ 1 542 million —a US\$ 39 million decline from 1999— due to a lower public sector deficit (US\$ 52 million), partly offset by a higher private sector deficit (US\$ 12 million).

Private sector financial expenditure amounted to US\$ 1 173 million, a US\$ 29 million increase from 1999, as a result of higher interest due (US\$ 53 million). Profits, dividends and undistributed profits decreased US\$ 24 million from the previous year.



TABLE 16  
INVESTMENT INCOME

	Millions of US dollars			Percentage of GDP		
	1998	1999	2000	1998	1999	2000
<b>I. CREDITS</b>	<b>787</b>	<b>651</b>	<b>738</b>	<b>1,4</b>	<b>1,3</b>	<b>1,4</b>
1. Private sector	150	128	146	0,3	0,2	0,3
2. Public sector	637	522	592	1,1	1,0	1,1
<b>II. DEBITS</b>	<b>2 275</b>	<b>2 232</b>	<b>2 280</b>	<b>4,0</b>	<b>4,3</b>	<b>4,3</b>
1. Private sector	1 194	1 144	1 173	2,1	2,2	2,2
2. Public sector interest	1 081	1 088	1 107	1,9	2,1	2,1
<b>III. INCOME BALANCE (I-II)</b>	<b>-1 488</b>	<b>-1 581</b>	<b>-1 542</b>	<b>-2,6</b>	<b>-3,1</b>	<b>-2,9</b>
1. Private sector	-1 044	-1 015	-1 027	-1,8	-2,0	-1,9
2. Public sector	-444	-566	-514	-0,8	-1,1	-1,0

**Financial Account: Private sector**

Private capital inflows amounted to US\$ 1 199 million —US\$ 1 200 million lower than in 1999— due to lower foreign investment excluding privatization, which decreased US\$ 1 592 million. This result was partially offset by a US\$ 357 million increase in net loan inflows.

Foreign direct investment excluding privatization amounted to US\$ 452 million, US\$ 1 592 million lower than in the previous year. Investment was concentrated mainly in the financial (US\$ 214 million), services (US\$ 195 million) —including foreign investment in the telecommunications sector amounting to US\$ 108 million— and industrial (US\$ 87 million) sectors. The mining and hydrocarbons sectors registered negative flows amounting to US\$ 121 and US\$ 125 million due to remittances abroad exceeding capital invested.

Long-term private borrowing reached US\$ 792 million, US\$ 357 million higher than in the previous year. Inflows were mainly directed to the mining (US\$ 1 268 million) and services sectors (US\$ 381 million).

The net flow related to equity issues was US\$ 123 million, US\$ 230 million higher than in the previous year, due to the outflow originated by Telefónica's ADR acquisition in 1999.

The “other external assets” flow was negative in US\$ 375 million due to the fact that new investment in foreign assets by AFPs and banking companies was US\$ 203 million higher than in the previous year.

Foreign direct investment associated with privatization —which amounted to US\$ 229 million—, was explained mainly by the telecommunications concession granted to TIM Perú SAC (US\$ 175 million).



TABLE 17  
PRIVATE SECTOR LONG-TERM CAPITAL FLOWS

	Millions of US dollars			Percentage of GDP		
	1998	1999	2000	1998	1999	2000
<b>I. LONG-TERM CAPITAL FLOWS EXCLUDING PRIVATIZATION (1+2+3+4+5)</b>	<b>2 103</b>	<b>2 180</b>	<b>970</b>	<b>3,7</b>	<b>4,2</b>	<b>1,8</b>
1. DIRECT INVESTMENT WITHOUT PRIVATIZATION	1 782	2 044	452	3,1	4,0	0,8
2. LONG-TERM LOANS	677	435	792	1,2	0,8	1,5
Disbursements	1 940	1 822	2 414	3,4	3,5	4,5
Amortization	-1 264	-1 387	-1 622	-2,2	-2,7	-3,0
3. BONDS 1/	122	-20	-21	0,2	0,0	0,0
4. STOCK MARKET AND ADR's 2/	-346	-107	123	-0,6	-0,2	0,2
5. OTHER EXTERNAL ASSETS 3/	-131	-172	-375	-0,2	-0,3	-0,7
<b>II. PRIVATIZATION</b>	<b>60</b>	<b>219</b>	<b>229</b>	<b>0,1</b>	<b>0,4</b>	<b>0,4</b>
<b>III. TOTAL</b>	<b>2 163</b>	<b>2 399</b>	<b>1 199</b>	<b>3,8</b>	<b>4,6</b>	<b>2,2</b>

1/ In net terms, bonds issued minus bonds redeemed. Includes notes and securitization, among others.  
2/ Considers the net acquisition of financial assets by non residents registered in Cavali (compensation and liquidation of securities institution). Includes the acquisition of American Depositary Receipts (ADR's).  
3/ Includes mainly equity and other financial assets from abroad acquired by the financial and non financial sector.

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

	1998	1999	2000
Hydrocarbons (net of debt service and depreciation)	429	113	-121
Mining 1/	170	522	-125
Financial sector	195	401	214
Services	635	342	195
Industrial sector	354	326	87
Energy	35	276	6
<b>MAIN DIRECT INVESTMENT WITHOUT PRIVATIZATION</b>	<b>1 818</b>	<b>1 980</b>	<b>256</b>

1/ The data of year 2000 include US\$175 million paid by Antamina to direct investors.

### Financial Account: Public Sector

The positive balance of the public sector financial account —US\$ 277 million, down US\$ 106 million from the previous year— was the result of

disbursements amounting to US\$ 1 485 million, which were partially offset by a US\$ 1 045 million outflow associated with maturities falling due and a US\$ 163 million net flow in the “net external assets” item. The latter records capital

subscription payments made by the government and COFIDE to multilateral organizations—which increased by US\$ 103 million relative

to 1999— and Consolidated Reserves Fund (FCR) deposits amounting to US\$ 60 million.

TABLE 19  
PUBLIC SECTOR FINANCIAL ACCOUNT 1/

	Millions of US dollars			Percentage of GDP		
	1998	1999	2000	1998	1999	2000
<b>I. Disbursements</b>	<b>790</b>	<b>1 237</b>	<b>1 485</b>	<b>1,4</b>	<b>2,4</b>	<b>2,8</b>
A. Investment projects	680	815	686	1,2	1,6	1,3
B. Defense	0	8	24	0,0	0,0	0,0
C. Food Imports	10	0	4	0,0	0,0	0,0
D. Cash Disbursements	100	414	771	0,2	0,8	1,5
<b>II. Amortization</b>	<b>-859</b>	<b>-971</b>	<b>-1 045</b>	<b>-1,5</b>	<b>-1,9</b>	<b>-2,0</b>
<b>III. Net external assets</b>	<b>12</b>	<b>117</b>	<b>-163</b>	<b>0,0</b>	<b>0,2</b>	<b>-0,3</b>
<b>IV. Total</b>	<b>-57</b>	<b>383</b>	<b>277</b>	<b>-0,1</b>	<b>0,7</b>	<b>0,5</b>

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



#### • Disbursements

Disbursements amounted to US\$ 1 485 million—up US\$ 248 million from the previous year— of which US\$ 686 million (46 percent) were used to finance investment projects. Credits were channeled primarily to productive sectors, social infrastructure and economic infrastructure (33, 35 and 30 percent, respectively) and were provided mainly by multilateral

organizations and Paris Club country members, which contributed 53 and 42 percent, respectively.

Concerning multilateral organizations, the Inter-American Development Bank (IDB), the World Bank (BIRF) and the CAF provided US\$ 350 million, US\$ 266 million and US\$ 173 million, respectively. The members of the Paris Club, contributed US\$ 622 million.

TABLE 20  
DISBURSEMENTS BY FINANCIAL SOURCE 1/

	Millions of US dollars			Percentage of GDP		
	1998	1999	2000	1998	1999	2000
Multilateral organizations	603	960	794	1,1	1,9	1,5
Paris Club	106	245	622	0,2	0,5	1,2
Bonds	0	0	0	0,0	0,0	0,0
Suppliers	0	3	1	0,0	0,0	0,0
Commercial Banks	80	21	34	0,1	0,0	0,1
Latin America	0	7	18	0,0	0,0	0,0
Eastern European Countries 2/	1	1	16	0,0	0,0	0,0
<b>TOTAL</b>	<b>790</b>	<b>1 237</b>	<b>1 485</b>	<b>1,4</b>	<b>2,4</b>	<b>2,8</b>

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

2/ Includes People's Republic of China.

#### • Amortization

External debt amortization reached US\$ 1 045 million, all of which was paid at maturity. The US\$ 74-million increase relative to 1999 was due mainly to pre-payments amounting to US\$ 286 million made by COFIDE. These were associated with a US\$ 236-million credit from the IDB (which was used to finance the Financial Sector Reform Program II) and a US\$ 50-million credit from the Bank of Boston (to be used in lending programs). Concerning financial sources, payments to multilateral organizations (US\$ 532 million), Paris Club country members (US\$ 338 million) and international banks (US\$ 109 million) were the most significant.

#### • Loan commitments

New medium- and long-term commitments reached US\$ 1 291 million in the year 2000 —down 45,0

percent from the previous year—which represented 45 percent of the total amount authorized by the 2000 External Indebtedness Law.

In the year 2000, US\$ 836 million of total commitments were earmarked for investment projects, US\$ 450 million were directed to free availability loans and US\$ 5 million were used for food imports. Concerning major financial sources, multilateral organizations, the Paris Club and international banks contributed US\$ 823 million, US\$ 434 million and US\$ 33 million, respectively. Within the Paris Club, commitments by the Japan Bank for International Cooperation (JBIC) reached US\$ 424 million.

#### Short-term capital

The negative short-term capital flow (US\$ 368 million) registered in 2000—which, however, was US\$ 1 308 million higher than in the previous year—

Box 3

**Lawsuit filed by Elliott Associates, L.P. against the Republic of Peru and the  
“Banco de la Nación”**

Elliott Associates L.P. had purchased Peruvian debt titles from the Union Bank & Switzerland (UBS) and the ING Bank N.V. amounting to a US\$ 20 million nominal value before the Brady Plan was designed, and paid US\$ 11 million.

Elliott Associates L.P. refused to participate in the Brady Plan and filed a lawsuit against the Republic of Peru and the Banco de la Nación at the District Court of New York in October 1996, demanding full repayment. The case was dismissed, but Elliott Associates appealed and filed a second lawsuit against Peru. Simultaneously, it successfully pressed for a retroactive amendment of section 489, which is intended to prevent the practice of acquiring claims and subsequently commencing legal proceedings to recover not only the debt, but also legal fees and costs incurred in the collection of the debt (Champerty doctrine). On 20 October 1999, the Second Circuit Court of Appeals ruled that it was not illegal to buy debt with the intention of suing. Peru's motion for rehearing was rejected.

On 22 June 2000, after a long period during which Peru continuously applied for a reversal of the Court of Appeals' decision, the judge determined the amount of the sentence (US\$ 55,7 million), but the decision concerning Elliott Associates' legal expenses remained pending. Additionally, the resolution established that Elliott Associates could execute the sentence against assets owned by Peru and the Banco de la Nación located in the U.S. and intended for commercial use. Likewise, Elliott Associates started judicial actions in several European countries to bring into force the restraint of assets ordered by the District Court. As this proved unsuccessful, Elliott Associates sought for a District Court resolution to seize the deposits held at Chase Manhattan Bank in New York for the biannual interest payment to Brady Bonds holders. This prevented the US\$ 80-million interest payment due on September 7.

Since it became impossible to comply with payments to bondholders, the Peruvian government agreed to a settlement with Elliott Associates, whose claims amounted to US\$ 67 million, including legal expenses. Two regulations issued on 30 September 2000 provided the legal framework needed to pay the amount agreed upon with Elliott Associates (US\$ 58 million). The settlement allowed withdrawal of all judicial actions, and as a consequence payments to bondholders could be resumed before expiration of the grace period (one month). If Peru had defaulted on its payments, bondholders would have been entitled to demand full debt cancellation.



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resulted from US\$ 269-million and US\$ 99-million outflows from the non-financial and financial sectors, respectively. The latter result is due to a negative net indebtedness amounting to US\$ 305 million, which exceeds the decrease in assets held abroad (US\$ 206 million).

**Exceptional financing**

Exceptional financing, which is related with public sector operations, amounted to -US\$ 58 million in 2000, down US\$ 86 million from the previous year. This result was due to an arrears

payment originated by a judicial settlement with Elliott Associates L.P.

### International Investment Position

Total international assets reached US\$ 14 261 million, down US\$ 151 million from the previous year. The US\$ 440-million decrease in Central Reserve Bank assets was partially offset by the US\$ 289-million increase in other sectors' (financial and non-financial) foreign assets.

Total international liabilities—which amounted to US\$ 40 531 million, up US\$ 123 million from the previous year—can be divided into medium- and long-term debt (60 percent), foreign investment and equity issues (30 percent) and short-term debt (10

percent). Bonds and total medium- and long-term debt were equivalent to 45,6 percent of GDP.

Medium- and long-term public debt amounted to US\$ 19 205 million in 2000, down US\$ 295 million from 1999. Short-term debt totaled US\$ 3 957 million, down US\$ 550 million from the previous year.

Foreign investment and equity issues increased by US\$ 429 million (3,7 percent), to US\$ 12 178 million. This result is explained by a US\$ 1 010-million increase in direct investment registered by CONITE, while portfolio investment decreased US\$ 581 million due to the fall in the prices of domestic assets owned by non-residents registered at the Lima Stock Exchange.

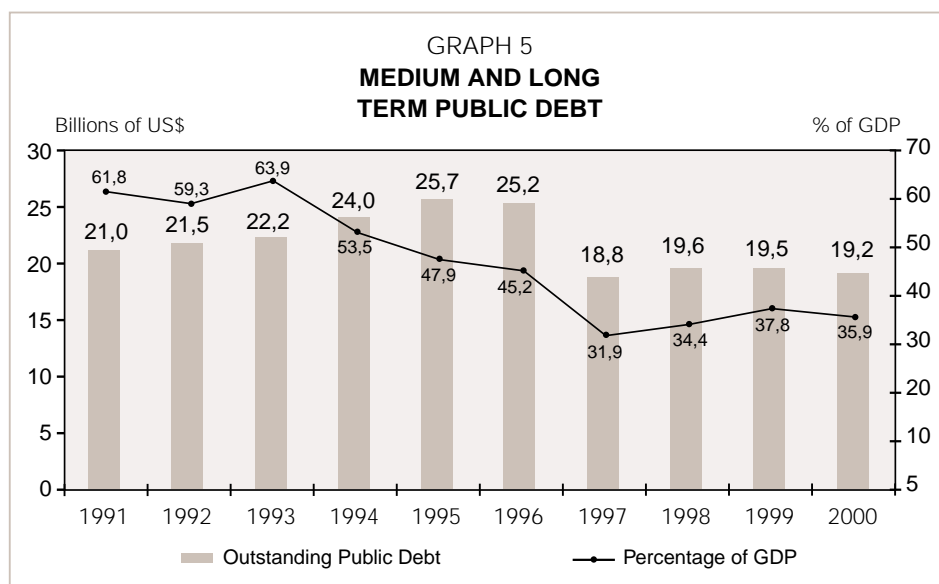


TABLE 21  
**INTERNATIONAL ASSETS AND LIABILITIES POSITION**  
 (Levels at the end of period)

	Millions of US dollars			Percentage of GDP		
	1998	1999	2000	1998	1999	2000
<b>I. ASSETS</b>	<b>15 103</b>	<b>14 412</b>	<b>14 261</b>	<b>26,5</b>	<b>27,9</b>	<b>26,6</b>
1. RESERVE ASSETS OF THE BCRP	9 982	9 002	8 562	17,5	17,4	16,0
2. FINANCIAL SYSTEM (EXCLUDES BCRP)	1 773	2 076	2 446	3,1	4,0	4,6
3. OTHER ASSETS	3 348	3 334	3 253	5,9	6,5	6,1
<b>II. LIABILITIES</b>	<b>41 089</b>	<b>40 408</b>	<b>40 531</b>	<b>72,2</b>	<b>78,3</b>	<b>75,7</b>
1. BONDS AND PRIVATE AND PUBLIC EXTERNAL DEBT	30 132	28 659	28 353	53,0	55,5	53,0
a. MEDIUM AND LONG-TERM	23 954	24 153	24 396	42,1	46,8	45,6
Private sector 1/	3 635	4 063	4 842	6,4	7,9	9,0
BCRP	756	589	349	1,3	1,1	0,7
Public sector	19 562	19 500	19 205	34,4	37,8	35,9
b. SHORT-TERM	6 179	4 507	3 957	10,9	8,7	7,4
Financial system (excludes BCRP)	3 224	2 061	1 756	5,7	4,0	3,3
BCRP	43	10	34	0,1	0,0	0,1
Other 2/	2 912	2 436	2 167	5,1	4,7	4,0
2. DIRECT INVESTMENT	8 220	8 890	9 900	14,4	17,2	18,5
3. STOCK MARKET AND ADR's	2 737	2 859	2 278	4,8	5,5	4,3

1/ Includes bonds.  
 2/ Includes mainly short term debt of the non financial private sector.



## Box 4

### Long-Term External Public Debt Outlook

As of December 2000, public external debt outstanding reached US\$ 19 205 million. The first table shows the debt structure and the second one shows the projected debt service, both by financial source. The latter reflects previous debt negotiations with different credit sources, as well as new indebtedness in the last decade.

As a result of three negotiations with the members of the Paris Club (in 1991, 1993 and 1996), Peru obtained unprecedented conditions for a medium-income country. The last agreement included an exit clause. Another important agreement was celebrated with private creditors under the Brady Plan (1997) involving an important nominal debt discount (approximately 50 percent). The new Brady bonds issued carry mostly low interest rates, which gradually reach market rates by the eleventh year (Libor-6 months plus 13/16). Additionally, Peru negotiated with Eastern European countries — particularly with Russia— a discount of more than 85 percent. Concerning debt owed to multilateral organizations, the debt profile is the result of the arrears work out (with the IDB in 1991 and with the IRDB in 1993) and of indebtedness contracted in the last decade.

### OUTSTANDING PUBLIC EXTERNAL DEBT AS OF DECEMBER 2000 1/

(Millions of US dollars)

	Millions of US\$	% GDP	% Structure
Multilateral Organizations	5 830	10,9	30,4
Paris Club	8 391	15,7	43,7
Bonds	3 727	6,9	19,4
Suppliers	1 002	1,9	5,2
Commercial Banks	110	0,2	0,6
Latin America	83	0,2	0,4
Eastern European Countries 2/	62	0,1	0,3
<b>TOTAL</b>	<b>19 205</b>	<b>35,9</b>	<b>100</b>

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

2/ Includes People's Republic of China.

### PUBLIC SECTOR EXTERNAL DEBT SERVICE 1/ 2/

(Millions of US dollars)

	Amortization	Interests	Total
2001	894	1 107	2 001
2002	930	1 028	1 958
2003	1 088	973	2 061
2004	1 163	916	2 079
2005	1 214	845	2 059
2006	1 229	779	2 008
2001 - 2006	1 086	941	2 027
2007 - 2013	1 255	505	1 760
2014 - 2020	461	86	547

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

2/ Calculations include outstanding debt as of December 2000.

Source: Ministry of Finance.