

ASSEMBLY OVERSIGHT, REFORM AND FEDERAL
RELATIONS COMMITTEE

STATEMENT TO

ASSEMBLY CONCURRENT RESOLUTION No. 177

STATE OF NEW JERSEY

DATED: MARCH 8, 2021

The Assembly Oversight, Reform and Federal Relations Committee reports favorably Assembly Concurrent Resolution No. 177.

This concurrent resolution urges the Office of the United States Trade Representative to take all appropriate remedial actions granted under Section 301 of the “Trade Act of 1974” concerning unpaid Peruvian agrarian reform bonds.

In 1969, Peruvian General Juan Velasco and his military government expropriated millions of acres of agricultural land and compensated thousands of landholders with agrarian reform bonds. In the 1980s and 1990s, Peru experienced severe hyperinflation and twice changed its currency, leaving the agrarian reform bonds worthless. Additionally, during the 1980s Peru defaulted on the agrarian reform bonds, and by 1992 Peru’s government ceased making payments on the agrarian reform bonds.

In 2001, Peru’s Constitutional Tribunal ruled that the agrarian reform bonds should be fully reimbursed by the Peruvian government based on the current value. Despite this court ruling, Peru has failed to make any payments to the holders of the agrarian reform bonds.

Conservative estimates place the amount owed by the Peruvian government to agrarian reform bond holders between \$1 billion and \$3 billion, while other estimates place the amount owed between \$4.6 billion and \$8 billion. Since the 1990s, Peru has become one of the world’s fastest-growing economies, with free-trade agreements with China and countries in Europe. In 2018, the Gross Domestic Product (GDP) in Peru was worth \$222.24 billion dollars and the real GDP grew by four percent, well above the Latin American and Caribbean average of slightly above one percent.

Peruvian agrarian reform bonds are beneficially owned by institutional investors that include approximately 200 U.S. state, municipal, and trade union pension funds located in approximately 25 states. Furthermore, the failure of the Peruvian government to repay the agrarian reform bonds affects the retirement of over 72,000 New Jersey union members.

The Office of the United States Trade Representative (USTR) is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, and overseeing negotiations with other countries. Section 301 of the “Trade Act of 1974” grants the USTR a range of responsibilities and authorities to investigate and take action, such as imposing trade sanctions, to enforce U.S. rights under trade agreements and respond to certain foreign trade practices.