

U.S. - Peru Trade Promotion Agreement

Textiles

Under the ATPA, Peru has developed as an important export market for U.S. yarn and fabric manufacturers. The U.S.-Peru TPA represents the Administration's continued efforts to promote economic growth and expand trade with Peru, and to create opportunities for U.S. yarn and fabric exports.

The textile and apparel trade with Peru has increased since the renewal and expansion of the ATPA in 2002. The foundation of the apparel trade is based upon U.S. manufacturers supplying yarns and fabrics to Peru for the assembly of apparel. The apparel assembled in Peru of U.S. yarns and fabrics enters the U.S. duty free. With the increased apparel manufacturing in Peru, U.S. exports of yarn and fabric to Peru jumped from \$14.6 million in 2003 to \$27.5 million in 2007 (OTEXA). Under the U.S.-Peru TPA, Peruvian tariffs on qualifying U.S. yarns and fabrics will be eliminated, further improving market access for U.S. exporters. Similarly, due to the favorable conditions created by the Agreement, investment in the apparel sector in Peru is expected to grow, promoting increased sales of U.S. yarns and fabrics to the Peruvian market.

Key benefits to U.S. yarn and textile manufacturers include:

- **Yarn forward rule of origin**– The U.S.-Peru TPA adheres to a yarn-forward rule of origin, meaning that in order to enter the U.S. market duty free, textile and apparel products must be made using U.S. and regional yarns and fabrics. Goods that meet the rule of origin qualify for immediate duty-free market access upon entry into force.
- **Regional Elastomeric Requirement** – Consistent with other free trade agreements, elastomeric yarns must be sourced from the region for textile and apparel products to qualify for duty free entry.
- **Improved Customs Procedures** – Specific textile customs cooperation language will help prevent transshipment and circumvention of the rules of origin of the Agreement.
- **Streamlined Short Supply Processes** - Streamlined commercial availability (short supply) determination processes will help yarns or fabrics that are deemed not commercially available in the region to be used in the production of apparel.
- **Improved Safeguards** - A special textile safeguard mechanism will provide for temporary MFN tariffs, if a surge in imports under the U.S.-Peru TPA is shown to be causing or threatening to cause serious damage to domestic industry.