



Summary of the U.S. - Peru Trade Promotion Agreement

The information presented on this website is meant to serve as a guide. Only the agreement text and the customs regulations issued to implement the agreement are definitive.

If you have any questions about this Agreement, please contact Laurie Mease, U.S. Department of Commerce, Office of Textiles and Apparel, 202-482-2043.

The United States-Peru Trade Promotion Agreement (U.S.-Peru TPA) entered into force on February 1, 2009. ATPDEA eligibility expired on December 31, 2010 for Peru.

How U.S. Textile and Apparel Companies Benefit

Peru is an important export market for U.S. yarn and fabric manufacturers. The U.S.-Peru TPA represents increased market opportunities for U.S. yarn, fabric, apparel, and footwear manufacturers, increased two-way trade potential with Peru, and overall economic growth opportunities among the countries.

Prior to the TPA, the textile and apparel trade with Peru benefited from the Andean Trade Promotion and Drug Eradication Act ([ATPDEA](#)), a unilateral trade program. Under the ATPDEA, U.S. manufacturers supplied yarns and fabrics to Peru for the assembly of apparel. The apparel assembled in Peru, made from the U.S. yarns and fabrics, entered the U.S. duty free.

Under the bilateral free trade agreement, qualifying U.S. yarns and fabrics enter the Peruvian region duty-free. This duty-free market access allows for increased export opportunities for U.S. textile and apparel manufacturers. In addition, because the Agreement has no termination date, investment in the textile and apparel sector in Peru is expected to continually grow, promoting increased trade and increased exports to the Peru market.

Key benefits for U.S. textile and apparel manufacturers include:

- Duty-free (zero tariff) market access to Peru for textile and apparel products.
- Yarn forward rule of origin – Qualifying textile and apparel products must be made using U.S. and/or Peruvian yarns and fabrics.
- Effective Anti-circumvention measures – Specific textile customs procedures help prevent transshipment and circumvention of the rules of origin of the Agreement.
- Streamlined [Short Supply Process](#) - A streamlined commercial availability (short supply) determination process will allow fibers, yarns, or fabrics that are determined to be not commercially available in the U.S. and / or Peru to be sourced from 3rd Parties for the production of qualifying textiles and apparel goods.
- Safeguards - A special textile safeguard mechanism will provide for temporary MFN tariffs, if a surge in imports under the Peru TPA is shown to be causing or threatening to cause serious damage to domestic industry.

Tariff Elimination

Immediate duty-free (zero tariff) market access for all textile and apparel products that meet the rule of origin of the Agreement.

Also see the International Trade Administration [FTA Tariff Tool](#) for the duty-free status or reduced duties that apply to products eligible under U.S. free trade agreements.

Qualifying Products/Rules of Origin

In order for textiles and apparel to receive duty-free (zero tariff) entry, products must qualify as "originating" under the terms of the Agreement. "Qualifying" or "originating" goods are goods that meet the Rules of Origin of the Agreement.

The textile and apparel Rule of Origin is commonly known as the "yarn-forward" standard, which requires that the yarn production and all operations "forward" (i.e., fabric production through apparel assembly) occur in either the United States and/or Peru ('the region'). However, there are some exceptions to the yarn-forward rule of origin as noted below. The Textile and Apparel Rules of Origin of the Agreement are found in [Chapter 3](#) on pages 6-37.

Exceptions to the yarn-forward rule of origin

- Knit Fabric (Chapter 60 HTSUS) follows a fiber-forward rule of origin - fiber production and all operations forward must occur in either the United States and/or Peru.
- Brassieres (HTSUS 6212.10) follow a cut-and-assemble rule of origin - yarns and fabrics can be sourced from anywhere; the fabric must be cut and the brassiere must be assembled in the U.S. or Peru.
- Luggage (HTSUS 4202.12, 4202.22, 4202.32, 4202.92) follows a fabric-forward rule of origin - yarns can be sourced from anywhere.
- Regional Elastomeric Requirement - elastomeric yarns must be sourced from the region for textile and apparel products to qualify for duty free entry.
- Nylon Filament Yarn - U.S. and Peruvian fabric and apparel makers may source nylon filament yarn, other than elastomeric nylon filament yarn, from Mexico, Canada, and Israel for use in qualifying goods.
- Viscose Rayon Filament Yarn - can be sourced from anywhere for use in qualifying products.
- De Minimis - 10% (by weight) of the fibers or yarns of a qualifying product (with an elastomeric exception - all elastomeric content - spandex- must be sourced from the region) may be sourced from outside the region.
- [Short Supply](#) - Fibers, yarns, and fabrics on the "short supply list" ([Annex 3-B](#)) have been determined to be not currently available in the U.S. or Peru and therefore may be sourced from outside the countries for use in qualifying textile and apparel products. For example, a fabric on the short supply list may come from any country, be cut-and-assembled into a garment in Peru and imported in to the U.S. duty free. Products may be added to or removed from the short supply list.

Components that determine the tariff classification of an apparel good

The rule of origin applies to the main component or 'essential character' of a textile or apparel good. Components such as collars, cuffs, trim, embroidery, belt loops, zippers, and similar accessories are not considered for when determining the Rule of Origin of a good. However, certain components do apply, and thus must meet rule of origin requirements. In addition to the 'essential character' of a garment, the following apparel components are considered for classification purposes:

- Narrow elastic fabrics of HTSUS 5806.20 and 6002 must be sourced in the region and meet a "fabric-forward" rule of origin (yarns permitted from anywhere).
- Visible lining fabrics must be sourced in the region and meet a "fabric-forward" rule of origin (yarns permitted from anywhere).
- Regional cotton and filament thread (HS 5204 and HS 5401) is required in the assembly of qualifying apparel.
- Pocketing fabric used in qualifying apparel must be made in the U.S. or Peru or U.S. or Peruvian yarns.

Used Clothing is not permitted to enter the Peruvian market under the terms of the Agreement.

Accumulation/Cumulation

While there is not a 3rd Party 'Cumulation' provision in the Agreement similar to the U.S.-Central American-Dominican Republic FTA, the textile chapter of the Agreement contains language that prompts the countries to consult after implementation, at a mutually agreed time, to discuss regional integration. Article 3.3(14)

Peru cannot accumulate or 'build-up' (co-produce/source) textile and apparel goods with former ATPDEA countries and claim preference under the U.S. - Peru TPA.

Wool fabric and apparel follow a yarn forward rule of origin (note that the CAFTA-DR follows a fabric forward rule for wool products)

Footwear and Travel Goods

Peru eliminated tariffs on 79% of U.S. footwear exports immediately upon implementation of the agreement. Tariffs on the remaining 21% will be eliminated over ten years. All U.S. footwear imports from Peru are duty-free immediately except for the [rubber/fabric and plastic/protective footwear items](#).

U.S. travel goods exports to Peru are duty-free immediately. All travel goods imported into the United States from Peru are duty-free immediately as long as those goods meet the agreement's rules of origin.

Footwear Rule of Origin

Two rules of origin cover footwear:

1) The footwear must be assembled in Peru and/or the United States to qualify for duty-free treatment (cut-and-assemble). This rule applies to all footwear, except the following footwear items (HTS numbers): 6401.10.00, 6401.91.00, 6401.92.90, 6401.99.30, 6401.99.60, 6401.99.90, 6402.30.50, 6402.30.70, 6402.30.80, 6402.91.50, 6402.91.80, 6402.91.90, 6402.99.20, 6402.99.80, 6402.99.90, 6404.11.90, 6404.19.20.

2) Footwear covered in exception above (i.e., HS numbers listed above) follow a regional value content rule of not less than 20 percent of the adjusted value of the product. Under this rule of origin, to qualify for the duty benefits, uppers can only be made in the United States and/or Peru.

NOTE: The regional value content is determined by the "Build-up method":

$$RVC = \frac{VOM}{AV} \times 100$$

Where RVC is the regional value content, expressed as a percentage; AV is the

adjusted value (value without Cost, Insurance, Freight); and VOM is the value of originating materials used by the producer for the production of the good.

Travel Goods Rule of Origin

The rule of origin for textile travel goods (HTS 4202.11, 4202.12, 4202.19, 4202.21, 4202.22, 4202.29, 4202.31, 4202.32, 4202.39 4202.91, 4202.92, or 4202.99 - with an outer surface of textile materials) is 'fabric-forward'. The travel goods must be assembled in Peru and/or the United States of fabric knit or woven in the US-Peru region.

Documentation Requirements

For information on common export documents, such as transportation documents, export compliance documents, certificates of origin, certificates for shipments of specific goods, temporary shipment documents, and other export-related documents, see the [Export.gov on Common Export Documents](#).

Measures to Prevent Circumvention of the Agreement's Rule of Origin

Specific textile customs cooperation language will help prevent transshipment and circumvention of the rules of origin of the Agreement.

Measures to Prevent Serious Damage, or Actual Threat Thereof, to the Domestic Industry

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.

Intellectual Property Rights

Peru's implementation of the provisions in the U.S.-Peru TPA IPR chapter will bring about a number of important improvements in IPR protection, including: protection of trademarks, protection of test data and other undisclosed information, and provision of deterrent penalties against piracy and counterfeiting. Under the Agreement, U.S. companies will be treated at least as well as Peruvian companies. The Agreement provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent, both with U.S. standards of protection and enforcement and with emerging international standards. Such improvements include stronger protection for U.S. patents, trademarks and test data, including an electronic system for the registration and maintenance of trademarks; and further deterrence of piracy and counterfeiting of criminalizing end-user piracy.

Government Procurement

Since 2002, Peru has applied a 20 percent price preference to bids by Peruvian firms on government procurement contracts. The U.S.-Peru TPA will require the use of fair, nondiscriminatory, and transparent procurement procedures for procurement covered by the agreement. Under the agreement, U.S. suppliers will be permitted to bid on the procurement of most Peruvian central government entities. When the U.S.-Peru TPA is implemented, the price preference will no longer be applied to U.S. companies in procurement covered by the agreement. The anti-corruption provisions in the agreement will require each government to ensure under its domestic law that bribery in trade-related matters is treated as a criminal offense or is subject to comparable penalties. Peru is not a signatory to the WTO Agreement on Government Procurement.

Additional Resources

[Office of the U.S. Trade Representative: Peru Trade Promotion Agreement webpage](#)
[Export.Gov U.S. - Peru Trade Promotion Agreement webpage](#)

[U.S. Customs & Border Protection \(CBP\) Implementation Guidelines](#)

[Additional CBP information](#)

[Peru's Ministerio de Comercio Exterior y Turismo website on Tariffs and Rules of Origin](#)