



Reasons to approve the Peru FTA: **Example from the Textile and Apparel Industries**

- Under the Andean Trade Promotion and Drug Eradication Act (ATPDEA), a symbiotic relationship developed and flourished between the U.S. and Peruvian Textile Apparel Industries. The mutually beneficial trade between the United States and Peru in fibers, yarns, and apparel will be further consolidated and enhanced by the U.S. Peru Trade Promotion Agreement (PTPA).

- A reflection of the depth of this relationship is seen in the support for the PTPA expressed by the Peruvian industry (Sociedad Nacional de Industrias (SNI) and Exporamerica, the representatives of the Peruvian Textile and Apparel Industries) and the U.S. industry (the National Council of Textile Organizations (NCTO) and the National Cotton Council (NCC), American Apparel and Footwear Association (AAFA), the National Retail Federation (NRF), the American Fiber Manufacturer's Association, the Textile Distributors Association, the Carpet and Rug Institute), as well as other key groups in the textile and apparel value chain.

- The following is an example of these industries' symbiotic relationship in practice: 95% of Peru's textile and apparel exports are manufactured from cotton fiber. Due to growth in apparel production under the ATPDEA, Peru imports more than 50% of its cotton needs from the United States. Peru's U.S. cotton imports increased from 22,000 MT in 2001 to 35,000 MT in 2005. The value of U.S. cotton exports increased from \$30 million in 2001 to close to \$ 55 million in 2007.

- The PTPA includes strong rule of origin requirements – designed to foster the use of yarn and fabric inputs produced in member countries, rather than third parties such as China – and eliminates duties on Peru's imports of U.S. yarns and fabrics. As a result, Peru is expected to increase its imports of these inputs. These aspects of the PTPA have the potential to enhance exports of cotton from Peru and create a strong and permanent benefit for U.S. cotton producers and U.S. textile and apparel manufacturers.

- The growth in U.S. apparel imports from Peru under the ATPDEA have also generated benefits across the U.S. economy, including benefits to U.S. sea, air, and land transporters; couriers; ports; warehouses and distribution facilities, as well as retailers. These businesses support thousands of U.S. jobs along the value chain associated with the U.S.-Peru textile and apparel trade. For example, an article of clothing with a FOB Callao-Peru value of \$6.00 will be sold in the U.S. for approximately \$40 to \$50. This price differential indicates that the substantial majority of the value chain involved in Peruvian apparel exports remains in U.S. hands. The free trade agreement will further multiply these benefits.

- Textiles and apparel make up approximately 10% of Peru's total exports. This industry is one of Peru's largest, employing, directly or indirectly, over 500,000 Peruvians, and accounting for nearly 20% of the country's manufacturing jobs. The growth in employment and increased demand for imported and domestically grown cotton and other inputs have contributed to Peru's success in reducing illegal coca-leaf cultivation and providing alternative, legal, employment for tens of thousands of Peruvians. Peru's success furthers U.S. efforts in the War on Drugs.