

31 January 2006

ITAC 2 Advisory Committee Report to the President, the Congress, and the United States Trade Representative on the US-Peru Trade Promotion Agreement

I. Purpose of the Committee Report

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principle negotiation objectives set forth in the Trade Act of 2002.

Pursuant to these requirements, ITAC 2 hereby submits the following report.

II. Executive Summary of Committee Report

ITAC 2 endorses the US-Peru Trade Promotion Agreement, and is especially pleased that its investor-state arbitration provisions are robust, that provisions have been made for phase-down and elimination of duties on motor vehicles, and that the agreement further provides market access for remanufactured goods. Overall, this is a high-quality bilateral agreement.

III. Brief Description of the Mandate of ITAC 2

The Industry Trade Advisory Committee on Automotive Equipment and Capital Goods (the Committee) is established by the Secretary of Commerce (the Secretary) and the United States Trade Representative (the USTR) pursuant to the authority of section 135 (c)(2) of the 1974 Trade Act (Public Law 93-618), as delegated by Executive Order 11846 of March 27, 1975. In establishing the Committee, the Secretary, and the USTR consulted with interested private organizations and took into account the factors set forth in section 135 (c)(2)(B) of the Act.

IV. Advisory Committee Opinion on Agreement

Investment

With respect to the protection of US investments, the investment chapter of the Agreement generally contains the primary protections sought by ITAC 2. These include a broad definition of “investment,” guarantees of prompt, adequate and effective compensation for expropriation, a ban on performance requirements, commitments to provide national treatment, most-favored nation treatment, fair and equitable treatment and full protection and security by local agencies and courts, and the free transfer of capital. Most importantly, the Agreement provides for an effective investor-state dispute settlement mechanism with

respect to the breach of existing and prospective investment agreements between a US investor and the Government of Peru or its parastatal entities.

Automotive Equipment

We are pleased that Peru has agreed to a phase-down of most of their tariffs on motor vehicles over a 10 year period. The notable exceptions are passenger motor vehicles with larger engines (over 3.0 liter displacement), which will enjoy immediate duty free access upon implementation of the agreement. In addition, the US was successful in getting Peru to accept the use of the net-cost automotive rule of origin approach, which is the method advocated by ITAC 2. We are pleased with this overall package, and hope that this will encourage Colombia and Ecuador to come to similar mutually acceptable agreements with the US in the near term.

Remanufactured Goods

We are very pleased, as well, with elements of the agreement providing market access for remanufactured goods.

V. Membership of Committee (list of members)

Brian T. Petty	Leslie A. Hennessy	Robert D. McDonald	Linda M. Spencer
Stephen J. Collins	Jon E. Jenson	Patrick W. McGibbon	Thomas L. Trueblood
Durga D. Agrawal	Lee Kadrich	John J. Meakem	Franklin J. Vargo
Gary F. Devlin	William C. Lane	Mustafa Mohaterem	L. Ann Wilson
Thomas M. Egan	Stephen Latin-Kasper	Robert S. Perkins	Nick S. Yaksich
David R. Gridley	Curtis N. Magleby	John W. Rauber, Jr.	A. Steven Young