PERU

TRADE SUMMARY

U.S. goods exports in 2013 were $10.1 billion, up 7.6 percent from the previous year. Corresponding U.S. imports from Peru were $8.1 billion, up 26.6 percent. The U.S. goods trade surplus with Peru was $1.9 billion in 2013, a decrease of $994 million from 2012. Peru is currently the 32nd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Peru was $10.9 billion in 2012 (latest data available), up from $9.0 billion in 2011. U.S. FDI in Peru is led by the mining sector.

Trade Agreements

The United States-Peru Trade Promotion Agreement (PTPA) entered into force on February 1, 2009. The PTPA is a comprehensive free trade agreement that resulted in significant liberalization of trade in goods and services between the United States and Peru. Under the PTPA, Peru immediately eliminated most of its tariffs on U.S. exports, with all remaining tariffs phased out over defined time periods. The PTPA also includes important disciplines with respect to customs administration and trade facilitation, technical barriers to trade, government procurement, services, investment, telecommunications, electronic commerce, intellectual property rights, transparency, and labor and environmental protection. The agreement is hailed by both sides as a success, and since 2009 two-way trade between the U.S. and Peru has increased by 98.8 percent, reaching nearly $18.18 billion in 2013.

Peru is a participant in the Trans-Pacific Partnership (TPP) negotiations, through which the United States and 11 other Asia-Pacific partners are seeking to establish a comprehensive, next-generation regional agreement to liberalize trade and investment. These negotiations seek to advance U.S. economic interests with some of the fastest-growing economies in the world; expand U.S. exports, which are critical to the creation and retention of jobs in the United States; and serve as a potential platform for economic integration across the Asia-Pacific region. The TPP agreement will include ambitious commitments on goods, services, and other traditional trade and investment subject matter. It will also include a range of new and emerging issues to address trade concerns our businesses and workers face in the 21st century. In addition to the United States and Peru, the TPP negotiating partners currently include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Singapore, and Vietnam.

IMPORT POLICIES

Tariffs

Under the PTPA, more than 80 percent of U.S. exports of consumer and industrial products now enter Peru duty free. All remaining tariffs on these goods will be phased out by 2018. More than two-thirds of current U.S. agricultural exports enter Peru duty free, and remaining tariffs on U.S. agricultural exports to Peru will be completely phased out by 2025. In accordance with its PTPA commitments, Peru has eliminated its price band system on trade with the United States.

Imported spirits are assessed an effective tax rate that is higher than the tax assessed on domestically-produced Pisco products, thus putting distilled spirits produced in the United States at a competitive disadvantage.

Nontariff Measures

The government of Peru already has eliminated many nontariff barriers, and, under the PTPA, is subjecting remaining measures, including subsidies, to additional disciplines.

Peru currently restricts imports of certain used goods, including used clothing and shoes (except as charitable donations), used tires, cars over five years old, and heavy trucks (weighing three tons or more) more than eight years old. A 45 percent excise tax applies to used cars and trucks (compared to 20 percent for a new car). However, if these used cars and trucks undergo refurbishment in an industrial center in the south of the country (located in Ilo, Matarani, or Tacna) after importation, no excise tax applies.

Peru currently requires that biopharmaceutical companies submit a "Batch Release Certificate" issued by the competent authority of the country of origin. The United States Food and Drug Administration (FDA) does not issue such certificates for all types of biological pharmaceuticals. As a result, this requirement adversely affects market access for some biologics produced in the United States. Other administrative processing requirements and duplicative product testing have a negative impact on access to the Peruvian market. For instance, the Peruvian Ministry of Health allows the registration of biosimilars of biologic drugs without clinical testing. The registration need only include an affidavit that successful clinical trials have taken place and that the drug is safe for use. As a result, local companies can register biosimilar products that infringe on patented biologic drugs.

GOVERNMENT PROCUREMENT

The PTPA requires that procuring entities use fair, nondiscriminatory, and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures for procurements covered by the Agreement. Under the PTPA, U.S. suppliers also can bid on procurements of most Peruvian central government entities on the same basis as Peruvian suppliers. This includes procurements by state-owned enterprises, such as Peru's oil company and Peru's public health insurance agency.

Peru is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Peru was listed on the Watch List in the 2013 Special 301 Report. Pirated and counterfeit goods remain widely available in Peru. Inadequate resources for law enforcement, lack of coordination among enforcement agencies, and the need for improvements at Peru's border and in its judicial system remain. Piracy over the Internet continues to be a growing problem, especially with respect to music, software, and video content (movies and television programs). There has been improvement in removing pirated and unlicensed software from government computers, but in accordance with provisions of the PTPA, Peru needs to take further steps. There is a lack of clarity regarding Peru's protections for biotechnologically-derived pharmaceutical products. The United States looks forward to continuing to work with Peru to address these and other issues, including through the TPP negotiations, as well as facilitating training for Peruvian prosecutors on IPR issues, and organizing programs highlighting the benefits of IPR to Peru and its citizens.

SERVICES BARRIERS

Telecommunications and E-Commerce

In 2012, Peru promulgated a privacy law that affects companies dependent on cross-border data flows. While no specific problems have been identified, the United States will continue to monitor the development of implementing regulations for this new regime.

INVESTMENT BARRIERS

Peruvian law prohibits majority foreign ownership in the broadcast media sector. Peruvian law also restricts foreigners from owning land or investing in natural resources located within 50 kilometers of its border, although the Peruvian government may grant special authorization to operate within those areas. Under current law, foreign employees may generally not comprise more than 20 percent of the total number of employees of a local company (whether owned by foreign or Peruvian persons) or more than 30 percent of the total company payroll.

Both U.S. and Peruvian firms remain concerned that executive branch ministries, regulatory agencies, the tax agency, and the judiciary often lack the resources, expertise, or impartiality necessary to carry out their respective mandates. U.S. and Peruvian investors have also complained about the reinterpretation of rules and the imposition of disproportionate fines by SUNAT, Peru’s tax agency.