



Peru (PeSFTA)

Negotiations for the Peru Singapore Free Trade Agreement (PeSFTA) were launched on 19 November 2004 following a meeting between Prime Minister Lee Hsien Loong and then Peruvian President Alejandro Toledo Manrique at the sidelines of the APEC Economic Leaders Meeting in Santiago, Chile. The negotiations commenced formally in February 2006.

The PeSFTA is a comprehensive agreement covering areas such as trade in goods, rules of origin, trade remedies, sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), trade in services, investment, government procurement, customs procedures, temporary entry of persons, competition policy, institutional provisions and dispute settlement.

The PeSFTA was signed on 29 May 2008 by Peru's Minister for Foreign Trade and Tourism, Ms Mercedes Araoz and Singapore's Minister for Trade and Industry, Mr Lim Hng Kiang.

The Agreement entered into force on 1 August 2009.

Benefits to Singapore Exporters to PeSFTA

Singapore's exports to Peru will benefit from duty free treatment immediately upon entry into force of the FTA. This will account for over 87 per cent of Singapore's total exports to Peru. Tariffs for the rest of the goods currently exported by Singapore to Peru will be phased out over a 10-year period.

Due to the PeSFTA, exports from Singapore to Peru will enjoy greater market access and it will enhance the competitiveness of Singapore goods vis-à-vis other foreign imports into Peru.

Trade in Goods

The Trade in Goods Chapter provides for comprehensive tariff elimination that will reduce cost burdens for Singapore businesses exporting to Peru. The provisions of this chapter concerning the elimination of customs duties on imports shall apply to goods originating in Peru and Singapore.

Peru shall progressively eliminate its customs duties on originating goods in accordance with the Peru Tariff Schedule, with exceptions provided for in this Agreement.

Based on request, Peru and Singapore shall consult to consider accelerating the elimination of customs duties on originating goods as set out in the Peru Tariff Schedule and the Singapore Tariff Schedule, or incorporating into the schedule, goods that are not subject to the elimination schedule.

Rules of Origin

For the purposes of this agreement, a good shall be deemed originating and eligible for preferential treatment if it conforms to the origin requirement under any of the following conditions:

- 1) the good is wholly obtained or produced entirely in the territory of one or both Parties; or
- 2) the good is produced entirely in the territory of one or both parties, exclusively from materials whose origin conforms to the provisions of this chapter; or
- 3) the good is produced entirely in the territory of one or both Parties using non-originating materials that conform to a change in tariff classification, a qualifying value content, or other requirements specified under the Product Specific Rules.

Qualifying value content

For the Product Specific Rules, which specifies a qualifying value content requirement, the following formula shall be applied:

$$QVC = \text{FOB} - \text{VNM} / \text{FOB} \times 100$$

where

- 1) QVC is the qualifying value content of the good, expressed as a percentage;

- 2) FOB is the Free On Board value of the particular good determined in accordance with the WTO Customs Valuation Agreement; and
- 3) VNM is the value of non-originating materials used by the producer in the production of the good.

For the purpose of calculating the value of non-originating materials, the following formula shall be applied:

$$\text{VNM} = \text{TVM} - \text{QVM}$$

where TVM is the total value of materials and QVM is the qualifying value of materials.

Product-Specific Rules

Product-Specific Rules refers to the good that is produced entirely in the territory of one or both Parties using non-originating materials that conform to a change in tariff classification, a qualifying value content or other requirements specified.

Customs Documentation

To obtain preferential tariff under the PeSFTA, exporters will be required to show proof of origin by completing a certification of origin together with the invoices and other supporting documents.

The certification of origin shall include the data elements specified in the Data Elements for the Certification of Origin. It shall be effective for 12 months from the date of issue. Each certification shall apply to a single shipment of goods and shall be maintained for four years after the date on which the certification was issued or signed.

Advanced Ruling

The advance rulings will enter into force three years after the date of entry into force of this Agreement.

Under the PeSFTA, exporters can apply for advance rulings in respect of the tariff classification and origin of goods and whether a good qualifies for entry free of customs duty. An advance ruling shall be issued to the exporter within 120 days of the receipt of all necessary information.

The advance rulings shall be in force from their date of issuance or another date specified in the ruling provided that the facts or circumstances on which the ruling is based remains unchanged.

Mutual Recognition Arrangement for Goods

Peru and Singapore shall cooperate and jointly identify work in the field of sanitary and phytosanitary (SPS) measures with a view to facilitating trade. Both countries shall give favourable consideration to accepting the equivalence of each other's SPS measures in order to ease the trade of the products and foster mutual confidence between the respective authorities.

The Coordinators from Peru and Singapore shall be responsible for working with competent SPS authorities and interested persons in all matters pertaining to SPS.

A Joint Committee consisting of representatives of the Parties shall meet when necessary to deal with any matter that cannot be clarified or resolved through the Coordinators.

Trade in Services

Singapore service providers will enjoy national treatment, most favoured nation treatment and greater market access when venturing into Peru. Each Party shall accord to service suppliers of the other Party treatment no less favourable than that it accords, in like circumstances, to its own service suppliers.

There is no requirement for a service supplier under the PeSFTA to establish or maintain a representative office or any form of enterprise, or to be resident, in its territory as a condition for the cross-border supply of a service.

Each Party shall permit all transfers and payments relating to the cross-border supply of services to be made freely and without delay into and out of its territory.

Investment

Singapore investors can benefit from concessions that are premised on a negative list approach. With regards to national treatment and most favoured nation treatment, each Party shall accord to investors of the other Party treatment no less favourable than that it accords to investors of any non-Party with respect to the establishment, acquisition, expansion, management, conduct, operation and sale or other disposition of investments in its territory.

Neither Party shall nationalise or expropriate unless such a measure is taken on a non-discriminatory basis for a public purpose. The expropriation shall be accompanied by a payment considered adequate and effective compensation. The compensation shall be equivalent to the fair market value of the expropriated investment.

All transfers relating to investments shall be made freely and without delay into and out of its territory.

Movement of Business Persons

The facilitation of temporary entry of business persons are covered under the provisions of the Temporary Entry for Business Persons. The following categories are covered for temporary entry of business persons into Peru:

- 1) Business Visitor—Up to 90 days
- 2) Investor (in the process of committing an investment)—Up to 90 days
- 3) Investor—Up to one year, renewable for consecutive periods, the number of times that it is requested, to the extent that the conditions that motivated its granting are maintained.
- 4) Intra-Company Transferee—Up to one year, renewable for consecutive periods, the number of times that it is requested, to the extent that the conditions that motivated its granting are maintained.

Government Procurement

Peru and Singapore have agreed to open their respective government procurement markets in order to maximise competitive opportunities for their suppliers and reduce costs of doing business for both government and industry. The list of government procurement schedules for Peru is listed in Annex 9A. The threshold limits are as follows:

- 1) Goods and services for entities set out in Sections A and B: SDR130,000
- 2) Goods and services for entities set out in Section C: SDR400,000; and
- 3) Construction services: SDR5,000,000

This chapter applies to procurement of goods or services, or any combination of goods and services by any contractual means, including through such methods as purchase or as lease, rental or hire purchase, with or without an option to buy, build–operate–transfer contracts and public works concessions. Each Party shall ensure that its entities shall not:

- 1) treat a locally established supplier less favourably than another locally established supplier on the basis of degree of foreign affiliation or ownership; nor
- 2) discriminate against a locally established supplier on the basis that it is a supplier of a good or service of the other Party.

The procurement notices shall be published in advance inviting all interested suppliers to submit tenders for that procurement except as otherwise provided in Article 9.13. The official electronic medium for the publication of notices is listed in Annex 9B.

Dispute Settlement

The Parties shall endeavour to agree on the interpretation and application of PeSFTA, and shall make every attempt through cooperation, consultations or other means to arrive at a mutually satisfactory resolution. If they cannot settle the dispute within the consultation term, then the complaining Party may request in writing for the intervention of the Commission. The Commission may:

- 1) call on such technical advisors or create such working groups or expert groups as it deems necessary;
- 2) have recourse to good offices, conciliation, mediation, or such other dispute resolution procedures; or
- 3) make recommendations.

If the Commission does not settle the dispute, then any Party could request for the establishment of a Panel, which shall base its report on the relevant provisions of the PeSFTA, the submissions and arguments of the Parties, and on any information before it pursuant to the Role of Experts.

The Panel shall present a final report to the Parties within 45 days of releasing the initial report. Upon receipt of the final report, the Parties shall agree on the resolution of the dispute.

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