MEMORANDUM

TO: Humberto Machaca, Executive President of Asociación de Exportadores de Gamarra (AEG)

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DATE: 4 March 2025

SUBJECT: Strategic Response to Chinese Textile Import Challenges in Peru

BACKGROUND

The Gamarra Commercial Emporium represents the heart of Peru's textile industry, housing over 33,000 businesses and generating more than 350,000 jobs.[1] As one of Latin America's largest textile hubs, Gamarra has been a cornerstone of Peru's manufacturing sector and a significant contributor to the economy. However, this vital industry faces unprecedented challenges from Chinese textile imports that threaten the sustainability of domestic production.

Since Peru's free trade agreement with China came into effect in 2010, the local textile sector has experienced mounting pressure,[2] which has intensified in recent years. Imports of Chinese textiles to Peru increased by 24% in 2022-2023,[3] according to INDECOPI (National Institute for the Defense of Competition and Protection of Intellectual Property) data, creating an increasingly unbalanced competitive environment. The average declared price of Chinese textile products entering Peru has remained suspiciously low, with some items priced at less than $1 per kilogram—well below production costs—strongly suggesting dumping practices.[4] Furthermore, Peru's total textile and apparel exports decreased by 29.8% year-over-year in 2023, reflecting a significant erosion of competitiveness.[5] At the same time, governmental support structures have proven inadequate, with AEG leadership publicly criticizing the ineffectiveness of Peru's commercial attachés in addressing unfair trade practices.

The challenges facing Gamarra extend beyond direct competition with Chinese imports. The industry is struggling with systemic issues including limited access to financing for technological modernization and regulatory obstacles that hamper competitiveness. The COVID-19 pandemic further exacerbated these challenges, with many businesses still struggling to recover from extended closures and disrupted supply chains.

Despite these obstacles, Gamarra retains competitive advantages like specialized know-how in quality cotton production, a vertically integrated production chain, and proximity to North America. Peru's textile sector also benefits from the country's status as a producer of

[1] La República. (2024, July 8). *Gamarra lanza su marca oficial y busca posicionarse en mercados internacionales: moda que viste al Perú*. https://tinyurl.com/5bukvrp8
[2] Ministry of Commerce of the People's Republic of China. (2019, June 24). *China-Peru Free Trade Agreement.* http://fta.mofcom.gov.cn/topic/enperu.shtml
[3] La República. (2023, February 14). *Indecopi: importación de textiles chinos subió en 24% en Gamarra por dumping, Mypes*. https://tinyurl.com/nhj24jwb
[4] Revista Impulso. (2024, October 20). *Análisis del impacto del Dumping en la competitividad de confecciones del Emporio Gamarra*. https://revistaimpulso.org/index.php/impulso/article/view/217
[5] America Economía. (2025, January 28). *Peru: Indecopi investigates imports of Chinese closures for alleged evasion of antidumping payments*. https://www.americaeconomia.com/en/node/290319

premium cotton varieties (Pima and Tangüis) and specialized natural fibers like alpaca.[6]

The current situation presents an existential threat to Peru's textile manufacturing ecosystem while simultaneously offering an opportunity to redefine the industry's competitive positioning through strategic government intervention and industry modernization. This memorandum analyzes the challenges and opportunities facing the AEG and recommends a comprehensive strategy to safeguard the future of Peru's textile sector while maintaining compliance with international trade obligations.

2. ALTERNATIVES AND RECOMMENDED STRATEGY

In response to the challenges facing Peru's textile industry, the Asociación de Exportadores de Gamarra (AEG) has three key strategic options, each engaging different institutional actors within Peru's governance structure.

Alternative i: File a Complaint with INDECOPI to Impose Antidumping Tariffs

This approach relies on INDECOPI, Peru's trade regulatory body, to pursue antidumping relief under World Trade Organization (WTO) agreements. AEG would file a formal antidumping petition, presenting evidence that Chinese textiles are being sold below fair market value. This would require documenting business closures, job losses, and declining market share, alongside price comparison data to prove dumping margins for specific textile product categories. Chinese production costs and fair market value benchmarks would need to be established, followed by active participation in INDECOPI's investigation process. If successful, this could result in antidumping duties on specific Chinese textile imports and enhanced price monitoring of imported products in targeted categories, providing temporary relief for domestic manufacturers in affected product segments.

However, this alternative comes with two major challenges. First, Chinese businesses are likely to evade these tariffs and continue flooding the market. Transshipment through third countries is common. In fact, there were already antidumping surcharges implemented in 2023 on 100% polyester plain weave fabrics imported to Peru from China, but tons of product were falsely declared as originating in Malaysia.[7] Evasion by shipping through third countries would remain a concern. Second, INDECOPI is rather rigid and imposes antidumping measures infrequently. Historically, their ratio of rejection-to-acceptance of such measures is four-to-one in

[6] Alpaca Collections. (2024, June 21). *Why is Peruvian Pima cotton considered a luxurious fabric?* https://tinyurl.com/m6vv4tr8
[7] Indecopi. (2024, September 10). *El Indecopi amplía cobro de derechos antidumping a importaciones de tejidos chinos.* https://tinyurl.com/yapx7urp

favor of rejection.[8] This precedent means this approach has low likelihood of approval.

Alternative ii: Advocate with the Executive for Diplomatic Action with China - Renegotiate the Free Trade Agreement to Include More Antidumping Measures

This approach requires AEG to engage Peru's Executive Branch in advocating for diplomatic intervention with China. AEG would form a coalition of textile manufacturers, compile an economic impact report on unfair trade practices, and lobby the Ministry of Foreign Trade and the President's economic advisors. Through media campaigns, industry consultations, and direct advocacy, AEG would push for a renegotiation of the Peru-China Free Trade Agreement (FTA) to secure voluntary export restraints and stronger trade dispute mechanisms.

However, a successful renegotiation seems unlikely due to China's economic leverage as Peru's largest trading partner and a major investor in its mining sector. China accounts for 30% of Peru's exports, giving it disproportionate influence.[9] The Peruvian President must balance competing priorities, including mining investments and agricultural exports, making it unlikely that textiles alone will warrant aggressive diplomatic action. This is especially true as past negotiations to upgrade the FTA took six years (2018 - 2024) suggesting any new trade discussions would be lengthy and yield minimal concessions.[10] Even if Peru applied pressure, China's resistance to voluntary restrictions would likely result in superficial commitments rather than meaningful reforms, leaving many textile businesses to close before relief materializes.

Alternative iii: Lobby Congress to Pass a Comprehensive Industry Support Law

This legislative approach would seek to enhance the competitiveness of Peruvian textile manufacturers through a coordinated package of support measures enacted by Peru's Congress. Tactically, it would involve drafting and advocating for a "Textile Industry Competitiveness and Recovery Act" and securing congressional sponsors representing Gamarra and other textile-producing regions. The comprehensive package would include tax incentives for technology investments made by domestic manufacturers, direct subsidies of the finished goods, and preferential government procurement contracts. Success would depend on building a multipartisan coalition around employment preservation and industry modernization.

This approach could result in enacted legislation establishing targeted support programs for textile manufacturers. It would establish a comprehensive framework for ongoing industry

[8] SNI. (2017, November–December). Industria Peruana (Edición N° 929). https://tinyurl.com/3mmazpjn
[9] World Bank. (2025, March 4). Country snapshot: Peru. https://wits.worldbank.org/countrysnapshot/en/PER
[10] Ministry of Commerce of the People's Republic of China. (2024, November 18). *China and Peru Signed a Protocol to Upgrade the China-Peru Free Trade Agreement*. https://tinyurl.com/2z52xj2d

development independent of trade remedies, benefitting the AEG for years to come. We dedicate the rest of this memorandum to elucidating why this alternative is the most appropriate and outlining risk mitigation strategies.

3. SUPPORTING ANALYSES AND IMPLEMENTATION PLAN

3A. Stakeholder Analysis

The 4 Is framework—Issues, Interests, Institutions, and Information—provides a comprehensive lens through which to evaluate our recommended strategy of Alternative iii. This analysis demonstrates why working through Peru's Congress creates the most favorable environment for addressing Chinese textile imports.

a) Issues

The textile import challenge is multifaceted, involving trade policy, industrial competitiveness, employment considerations, and regional economic development. Congress can integrate various policy tools that would otherwise require complex coordination across multiple executive agencies, creating a more coherent and effective response. The legislative arena allows for strategic framing of the issue in ways that build broader support. Rather than presenting the problem as simple protectionism, legislation can frame it as economic security, modernization and competitiveness, and economic development with job preservation. This framing flexibility is crucial for building the coalitions necessary for successful passage.

Moreover, the issue has both immediate urgency (with documented business closures and job losses) and long-term structural dimensions requiring sustained intervention. This temporal aspect suggests the need for both quick remedies and enduring frameworks, which can be addressed by the recommended strategy.

b) Interests

The primary supporting interests include the 33,000+ entrepreneurs[11] in Gamarra who face an existential threat creating intense motivation for political mobilization. Similarly, textile workers with 350,000[12] direct jobs at stake have interests strongly aligned with the industry position, and their geographic concentration facilitates political organization. Moreover, domestic input suppliers such as Peruvian cotton farmers benefit from increased demand for

[11] Instituto Nacional de Estadística e Informática. (2018, October). *Características de las Empresas del Emporio Comercial de Gamarra, 2017*. https://tinyurl.com/rem6s9a2

[12] La República. (2024, July 8). *Gamarra lanza su marca oficial y busca posicionarse en mercados internacionales: moda que viste al Perú*. https://tinyurl.com/5bukvrp8

local inputs. The legislative approach allows for building broader coalitions by including interests beyond just textile manufacturers

Chinese exporters have limited influence in Peru's legislative process, unlike their leverage in executive negotiations. While import-dependent retailers may oppose cost-increasing legislation, they lack political coordination compared to manufacturers. Fiscal conservatives may resist subsidies but could be persuaded with mitigating revenue-neutral provisions.

c) Institutions

The institutional landscape in Peru creates particular advantages for a legislative strategy. Peru's unicameral Congress provides a more streamlined legislative process compared to bicameral systems. The committee structure creates multiple points of access and influence, while the 130-member body provides sufficient granularity to target pivotal representatives who can be persuaded to support the initiative.

In contrast, the executive branch's authority to provide industry support is constrained without legislative backing. Presidential trade promotion authority is limited by existing FTA commitments with China, and executive agencies lack coordination mechanisms to address the multi-dimensional challenge. Similarly, INDECOPI encounters procedural and evidentiary hurdles in antidumping cases, while the judiciary cannot create new policy frameworks but only enforce existing ones. International dispute forums like WTO panels offer limited remedies, involve extensive delays, and lack enforcement mechanisms.

d) Information

Detailed import statistics showing an annual 24% increase[13] and suspiciously low prices provide compelling evidence for legislative hearings. Available data on import volumes, pricing patterns, business closures, and employment impacts provides factual grounding for policy responses. However, detailed Chinese production cost structures remain opaque, creating challenges for antidumping cases. Value chain analysis showing precise competitive disadvantages is incomplete, and public awareness of quality and durability differences between Peruvian and Chinese textiles is limited.

Legislative hearings provide public platforms to present evidence and raise awareness, while committee investigations can compel the disclosure of key information. Additionally, commissioned studies help address critical knowledge gaps. Unlike executive or judicial

[13] La República. (2023, February 14). *Importación de textiles chinos subió en 24%*. https://tinyurl.com/nhj24jwb

processes, the public debate in legislative consideration attracts greater media coverage and public engagement, amplifying industry concerns.

3B. Distributive Politics Analysis

Our proposed legislation to provide tax incentives, subsidies, and preferential procurement for Peru's textile industry represents a case of client politics (as defined by the Wilson-Lowi framework) which is well-suited for lobbying. Benefits are concentrated primarily among the 20,000 business entrepreneurs and 80,000 workers in Gamarra's textile ecosystem, as well as among other regional textile manufacturers and farmers who supply the necessary raw materials. Costs are diffused across the country; consumers bear higher prices for higher-cost goods, and taxpayer money funds subsidies. Retailers who depend on Chinese textile imports and the Chinese companies themselves also face increased competition, but they are less organized.

By conducting a more comprehensive distributive politics analysis, as outlined in **Exhibit 1**, it is apparent that the AEG will have a high likelihood of success through Alternative iii. Over 80,000 workers in Gamarra alone, textile manufacturers in other regions, and numerous Peruvian farmers stand to gain from subsidies, tax incentives, and preferential procurement policies. AEG can form a coalition with other regional textile manufacturing hubs and agricultural unions, all of which have low to medium costs of organizing as they are each already established groups that have lobbying power. Together with these other stakeholders, AEG has the potential to sway public opinion: the narrative of supporting so many Peruvians involved in domestic industries would resonate well with the country's citizens and prove to be a valuable political resource. Members of the Congress who aim to boost their likelihood of reelection—a major motivation for politicians—would advocate on behalf of supporting the coalition.

The key stakeholders who would potentially oppose the legislative strategy—Chinese textile exporters, import-dependent Peruvian retailers, and Peruvian taxpayers—are unlikely to block it due to their fragmented interests, mixed political resources, and high organizing costs.

First, Chinese exporters face significant barriers to influencing Peru's legislative process. They lack direct representation within Peru and cannot mobilize political support as external actors, especially as their focus on maintaining market access would not resonate with broader domestic concerns of economic prosperity. This limits their ability to form coalitions with local stakeholders as well. While there is a risk of pressure through the Chinese government's trade relationships with Peru, the economic stakes are low for China given their massive scale of trade across industries. There are many other markets, even in Latin America, where Chinese textile exporters have a foothold. Also, this strategy focuses on strengthening domestic production rather than directly targeting Chinese imports; it does not include punitive measures, so it would be less likely to be perceived as a violation of the Chinese FTA and evoke a retaliatory response This is a critical advantage over Alternatives i and ii.

Next, while Peruvian retailers may oppose measures that make imported Chinese textiles less competitive, their influence is limited compared to AEG and other highly organized textile associations. Their position is also less compelling to policymakers and poses reputational risk since it primarily centers on cost savings rather than broader economic benefits like job creation.

Finally, the impact of subsidies and tax incentives is spread across Peruvian taxpayers. They are unlikely to mobilize given the cost of organization and relatively limited upside. Moreover, many citizens are likely to agree with the narrative of the urgent need to protect domestic jobs and businesses.

3C. Pivotal Votes in Congress - Core Implementation Plan

The success of the Textile Industry Competitiveness Act hinges on securing key legislators' support within Peru's 130-member unicameral Congress,[14] where a simple majority of 66 votes is required. Congress is highly fragmented (**Exhibit 2**), with major parties including Fuerza Popular (right-wing populist, pro-business), Perú Libre (left-wing, pro-labor), Alianza para el Progreso (centre-right, industry-friendly), and Renovación Popular (nationalist, conservative). Aligning economic, labor, and nationalist interests is essential for success.

Committee Gatekeepers: The Economic Development Committee (Chair: Rosángella Barbarán) controls policy discussions. The Budget and Finance Committee (Chair: José Luna) approves funding allocations, while the Foreign Commerce and Tourism Committee (Chair: Edgar Tello) ensures WTO compliance.

Regional Bloc Leaders: Lima's 36 legislators, representing Gamarra, are key, alongside representatives from cotton-producing regions (Piura, Ica, Lambayeque) who benefit from industry growth. Mining/export-heavy legislators may oppose the bill due to concerns over Chinese trade retaliation.

Party-Based Pivot Points: Centrist economic nationalists will be key swing votes, balancing

[14] Peruvian Congress (2025, March 4). *Congresistas y grupos parlamentarios.* https://tinyurl.com/5n8mmmvkh/

market openness with industry protection. Left-wing legislators support worker protections but may demand stronger labor provisions. Right-wing parties are increasingly populist and will probably support the package.

A pivotal votes analysis indicates who AEG must lobby to implement Alternative iii:

Given the multipartisan and fragmented nature of Congress, implementing a ranking of preferences is not feasible. However, it is possible to identify key decision-makers whose support is crucial for the law's passage. These include Congress President Eduardo Salhuana (Alliance for Progress), who controls the legislative agenda, and several of the aforementioned leaders: Rosángella Barbarán (Popular Force), who oversees policy discussions on industrial competitiveness; José Luna (Podemos Peru), who approves funding allocations; and Edgar Tello (Free Peru), who will assess WTO compliance risks - an important front as Peru has generally demonstrated increasing commitment to WTO standards in recent years.

To effectively lobby these individuals, AEG should implement targeted engagement strategies for each key decision-maker in tandem with other regional textile guilds. For Salhuana, AEG should arrange publicized facility tours of Gamarra operations, highlighting employment statistics in his party's strongholds. With Barbarán, AEG should supply economic analyses demonstrating how the proposed law would enhance the livelihoods of many Peruvians. For Luna, AEG should contract analysts to develop revenue-neutral proposals with clear implementation timelines. For Tello, AEG must emphasize how comparable programs exist in other countries without violations (a baseline is in **Exhibit 3**). These personalized approaches should be supplemented with widespread constituency pressure, mobilizing workers and business owners across districts to directly communicate the need for action in Congress.

The legislative approach offers institutional durability, as policies enacted into law cannot be easily overturned by changes in executive leadership. However, securing broad congressional support requires strategic coalition-building. **Exhibit 2** demonstrates that achieving a positive outcome is highly likely, as the majority of political parties are expected to support the law. AEG must especially engage with political parties with critical gatekeepers and swing voters such as Alliance for Progress, Popular Force and Podemos Peru. Moreover, it should also engage with Lima representatives who have the highest concentration of textile-related constituencies, cotton-producing region legislators who stand to benefit from increased demand. The greatest challenge to this approach is overcoming fiscal opposition from non-populist budget-conscious legislators who may resist subsidies without corresponding revenue offsets.

Among all strategies, only this legislative strategy allows direct influence over pivotal votes. By securing committee endorsements and lobbying key decision-makers, AEG can maximize advocacy efforts and significantly increase the probability of passing the Textile Industry Competitiveness Act.

3D. Navigating Trade Rules: A WTO-Compliant Regulatory Strategy

AEG's legislative strategy to support its textile sector should align with WTO rules and the aforementioned Chinese FTA for the highest likelihood of success. Under the WTO Agreement on Subsidies and Countervailing Measures (SCM), Peru cannot offer export- or local-content-contingent subsidies; Article 3 prohibits incentives tied to export levels or domestic input use.[15] Although the now-lapsed Article 8 once recognized non-actionable subsidies for R&D, disadvantaged regions, and environmental upgrades, it still guides policymakers toward permissible forms of support, such as funding cleaner production or innovation centers (ibid.).

Similarly, the Agreement on Trade-Related Investment Measures (TRIMs) forbids attaching investment incentives to local content or export performance.[16] This technically restricts any legislative requirement that textile firms purchase Peruvian cotton or satisfy export quotas. Nonetheless, Peru may still provide general tax breaks or infrastructure assistance if not tied to specific trade performance, so there is a path forward if policymakers push back.

Because Peru is not a signatory to the WTO's Government Procurement Agreement (GPA), it can favor local textile suppliers in public contracts without automatically breaching GPA disciplines. The Peru–China FTA also explicitly excludes government procurement from its coverage, enabling Peru to adopt a "Buy Peruvian Textiles" policy for uniforms or hospital linens, so long as the measure remains transparent.[17]

WTO case law underscores the need for carefully designed measures. For instance, export incentives in US—Challenge to Indian Export Subsidies (DS541) were struck down once India exceeded least-developed status,[18] while local-content tax breaks in Brazil's Inovar-Auto (DS472/497) program were deemed illegal import-substitution subsidies.[19] Canada's conditional

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[15] WTO. (1994). *WTO Agreement on Subsidies and Countervailing Measures (Arts. 3 and 8)*.
[16] WTO. (1994). *WTO trade-related investment measures. In WTO Analytical Index: Part II, Chapter 8 (pp. 365–373).*
[17] Peru–China Free Trade Agreement. (2009). *Chapters 2, 5, 10, & 16 (e.g. Art. 77 on WTO rules observance; Safeguard provisions; Govt. procurement carve-out; GATT Article XX exceptions)* https://shorturl.at/NmYjJ.
[18] Office of the United States Trade Representative. (2019, October 14). *United States Wins WTO Challenge to Indian Export Subsidies*. https://shorturl.at/VWQh7
[19] Reuters. (2017, August 30). *WTO orders Brazil to remove subsidies, government to appeal.* https://shorturl.at/8jF8y

duty-free treatment of autos (DS142) also violated TRIMs and GATT rules.[20] These precedents warn against direct protectionism or discriminatory conditions.

Domestically, as illustrated in **Exhibit 4,** Peru's 1993 Constitution permits subsidies only through a special law serving an overriding public interest.[21] Legislative Decrees and Supreme Decrees (e.g. 006-2003-PCM) empower the INDECOPI to address dumping or unfair trade, ensuring compliance with WTO procedures.[22] Past Peruvian anti-dumping measures on Chinese textiles, though successful at times, were eventually lifted or challenged, reflecting both political and economic pressures.

Within the Peru–China FTA, Articles 71 and 77 reaffirm WTO obligations but also allow bilateral safeguard measures when import surges cause serious injury. Peru could investigate surging Chinese textile imports and temporarily raise tariffs above FTA levels under Chapter 5's safeguard mechanism, provided it follows notification and injury-determination procedures. Because the FTA omits government procurement commitments, Peru can prioritize local textile products in state purchasing.[23]

Case studies elsewhere show that WTO-consistent support often focuses on modernization, R&D, training, and regional development—as we advocate for—rather than direct restrictions. The EU offers R&D subsidies for textile innovation without discrimination or export requirements,[24] while the U.S. relies on government-procurement preferences and temporary safeguard measures. Countries like India and Brazil illustrate how export-linked or local-content incentives risk WTO violation if not carefully structured.

Potential legal challenges from China could include claims of prohibited or actionable subsidies under SCM Article 3, violations of TRIMs, or breaches of tariff commitments under GATT Articles I and II. AEG should ensure lawmakers are aware that Peru can defend its legislation by demonstrating no explicit tie to exports or local-content use; framing support as short-term "adjustment" measures or permissible developmental policies; and, if necessary, invoking GATT Article XX exceptions for environmental or health objectives.

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[20] European Commission. (2025, March 3). *WTO dispute settlement: WTO disputes cases involving EU: WT/DS142 Canada - Certain measures affecting automotive industry.* https://shorturl.at/JRQzZ

[21] Economics Research Unit. (2010, February 18). *Competition, state aids and subsidies: The case of Peru (Working Paper No. 01-2010/GEE). Peruvian Government.* https://shorturl.at/U7Xnh

[22] Uría Menéndez's Latin America Network. (2012). *Antidumping guide: A Latin American overview for Chinese exporters.* https://tinyurl.com/5ffs7ntk

[23] Ministry of Commerce of the People's Republic of China. (2019, June 24). *China-Peru Free Trade Agreement.* http://fta.mofcom.gov.cn/topic/enperu.shtml

[24] International Trade Administration. (n.d.). *Agreement on Subsidies and Countervailing Measures*. https://enforcement.trade.gov/regs/uraa/saa-cv.html

In conclusion, when pursuing Alternative iii, AEG and its coalition can mitigate criticisms by advocating for legislation that (1) avoids explicit export/local-content requirements; (2) relies on permissible subsidies for innovation, regionally disadvantaged areas, and workforce development; (3) deploys safeguard or anti-dumping mechanisms with proper investigations; and (4) capitalizes on government procurement exemptions. By anchoring support measures in broader development goals and coordinating with INDECOPI, AEG can achieve its goals while respecting international commitments and domestic law.

4. EXHIBITS

Exhibit 1: Distributive Politics Analysis for Alternative iii

Distributive Politics Spreadsheet

Define the issue: Creating Package of Subsidies, Tax Incentives, and Procurement Requirements for Industry Support

Target instition: Congress of the Republic of Peru

	DEMAND			SUPPLY				PREDICTION	
PRO INTERESTS	**Substitutes**	**Aggregate Benefit**	**Per capita Benefit**	**Size**	**Coverage (State)**	**Political Resources**	**Organizing Cost**	**Act?**	**If act, likely Impact**
AEG/guilds (representing Peruvian textile business owners and workers)	Low (currently being outcompeted)	High (widespread economic incentive)	High (economic incentive is across value chain)	Medium (100,000+ employed in Gamarra alone)	High (Gamarra is a major hub in Lima)	High (social capital as "underdogs")	Low (guilds/ associations already organized)	Yes	High (organized and has populist agenda)
Peruvian farmers (e.g., cotton, alpaca)	Medium (could make more food/other crops, but stickiness)	Medium (some higher demand for raw materials)	Medium (economic incentive is spread out in industry)	Medium (many farmers across Peru)	Medium (present across Peru but in rural areas)	High (social capital as "underdogs")	Medium (unions exist but farmers are physically dispersed)	Yes	Medium (less "skin in the game" but also has populist agenda)
Economic development NGOs	High (can advocate for other industries and social issues)	Low (constrained to workers in textiles)	Low (constrained to workers in textiles)	Small (grassroots efforts)	Low (highly local)	Low (isolated efforts)	High (fragmented across geography/ issue focus)	No (not a key priority)	

CON INTERESTS	Substitutes	Aggregate Cost	Per capita Cost	Size	Coverage (State)	Political Resources	Organizing Cost	Act?	If act, likely Impact
Chinese textile exporters	Medium (Peru is one of many foreign markets they depend on)	Medium (increased competition harms their business in Peru)	Medium (multiple smaller Chinese companies)	Medium (multiple companies exporting to Peru)	Low (no direct local representation in Peru)	Medium (indiv. companies but can rely on diplomatic pressure from China)	High (requires coordination across companies, country borders)	No (assuming no direct import restrictions on China)	
Import-dependent Peruvian retailers	Medium (can switch to domestic goods)	High (Chinese products less competitive vs. Peruvian ones)	High (Chinese products less competitive vs. Peruvian ones)	Medium (many companies but don't represent broad citizens' interests)	Medium (concentrated in urban areas)	Medium (money, but unpopular to lobby against domestic industries)	Medium (trade associations exist but less unified)	Yes	Low (aggressive actions would hurt brand image, so will be limited action)
Peruvian taxpayers	High (many other issues are important and more pressing for average citizens)	Medium (taxpayers effectively bear subsidies, tax incentives, etc.)	Medium (taxpayers effectively bear subsidies, tax incentives, etc.)	High (Peruvian public)	High (taxpayers are nationwide)	Medium (strength in numbers, but individuals lack direct lobby power)	High (difficult to form cohesive backing for this relatively trivial issue)	No (very difficult to coalesce on any issue)	

Exhibit 2: Peruvian Congress composition and critical votes

Political parties	Ideology	Number	Most likely in favour	Likely in favour	TOTAL votes
Popular Force	Social conservatism, Right wing populism ('fujimorism')	21	21		21
Alliance for Progress	Liberal conservatism, centre-right	14		14	14
Podemos Perú	Social conservatism, right-wing	13		13	13
Free Peru	Conservative socialism, left-wing	11	11		11
Popular Renewal	Ultraconservatism, far-right	11	11		11
Popular Action	Liberalism, centre	9			0
Magisterial Block	Democratic socialism, left-wing	8	8		8
Together for Peru - People's Voices	Progressivism, left-wing	8	8		8
Go on Country	Libertarianism, right-wing	7			0
We Are Peru	Christian democracy, centre-right	7		7	7
Honor and Democracy	Social conservatism, right-wing	5			0
Socialist Bench	Socialism, left-wing	5	5		5
Democratic People's Bloc	Social democracy, centre-left	5			0
Independent	Mainly centre	6			0
TOTAL		**130**	**64**	**34**	**98**

Note

To pass, the law requires 66 votes. With 64 votes considered very likely and an additional 34 likely, this represents a substantial majority. Both right-wing populist and left-wing parties are expected to support the measure, while moderate parties may oppose it due to concerns over fiscal impact and trade consequences. The right-wing parties Alliance for Progress and Podemos Peru, which have strong support in Lima and cotton-producing regions, could be easily persuaded.

Exhibit 3: Exemplary WHO Cases and Key Lessons

Case/Program	Jurisdiction / Dispute	Outcome & Relevance
India – Export Subsidies (DS541)	Challenged by U.S. at WTO	Illegal subsidies for textiles & other exports. Reinforced that developing countries can't use export-contingent measures if they exceed certain income thresholds.
Brazil – Inovar-Auto (DS472/497)	Challenged by EU & Japan	Tax breaks contingent on local content were struck down as violating SCM & GATT.
Canada – Autos (DS142)	Requirements for local production & export balancing	Found TRIMs/GATT violation. Emphasizes that any local-content or export-performance condition is not permitted.
EU – Regional & R&D Aid	EU practice in state aid, some aspects tested at WTO	Generally uncontested if structured to avoid discrimination, focusing on research, innovation, or disadvantaged regions.
U.S. – Buy American Laws (not a single dispute)	Government procurement for defense & public institutions	Largely WTO-compliant due to procurement exemptions. Shows how "Buy National" can exist outside of GPA coverage.

Exhibit 4: Peruvian Legal and Institutional Framework

Law/Regulation	**Key Points**	**Impact on Textile Support**
1993 Constitution of Peru	State can grant subsidies for public interest, subject to special laws	Any comprehensive textile support needs a legislative act specifying public interest justification.
Legislative Decree No. 1034 (Competition)	Focuses on private anticompetitive conduct	Does not govern state subsidies directly, but fosters open competition principles.
Supreme Decree No. 006-2003-PCM, 133-91-EF (Trade Remedies)	Implements WTO-compatible antidumping/countervailing procedures via INDECOPI	If legislative approach uses trade remedies, it must follow established procedures (investigation, injury test).
INDECOPI (Competition & Intellectual Property Agency)	Administers anti-dumping/countervailing duty investigations; can impose measures	Legislative approach should complement, not bypass, INDECOPI processes.
Buy Peruvian Laws (examples in public procurement)	Existing but partial preferences in public contracts	Could be expanded/clarified legislatively to systematically favor Peruvian textile manufacturers for government purchases.