



# Benefits from the U.S.-Peru Trade Promotion Agreement **Montana** [www.export.gov/fta/peru/state](http://www.export.gov/fta/peru/state) August 2007

## The U.S.-Peru Trade Promotion Agreement Provides Enhanced Market Access

The U.S.-Peru Trade Promotion Agreement (TPA) offers tremendous opportunities for Montana's exporters. When the Agreement is implemented, fully 80 percent of U.S. consumer and industrial exports to Peru, including nearly all information technology products; mining, agriculture, and construction equipment; medical and scientific equipment; auto parts; paper products; and chemicals, will be duty-free immediately. The remaining tariffs phase out over 10 years. U.S. farmers and ranchers will also become much more competitive, benefiting from immediate duty-free treatment of 90 percent of U.S. current exports. Key U.S. agriculture exports such as cotton, wheat, soybeans, high quality beef, apples, pears, peaches, cherries, and almonds will be duty-free upon entry into force of the Agreement. Peru will phase out all other agricultural tariffs within 17 years.

## Montana Depends on World Markets

Montana's export shipments of merchandise in 2006 totaled \$887 million. Montana's exports increased by 130 percent over 2002 levels, the third largest percentage increase among the 50 states.

### **Exports Support Jobs for Montana's Worker**

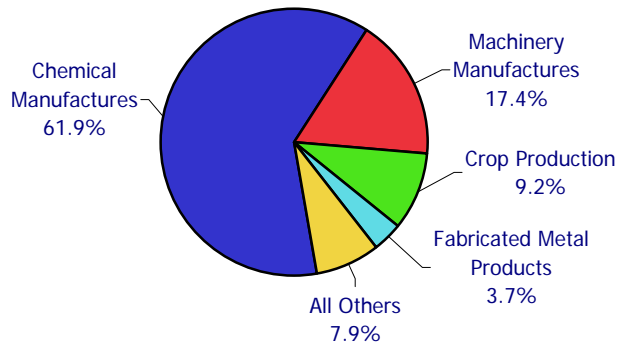
– In 2003, export-supported jobs linked to manufacturing accounted for an estimated 1.2 percent of Montana's total private-sector employment; one-twelfth (8.3 percent) of all manufacturing workers in Montana depended on manufactured exports for their jobs. (2003 data are the latest available.)

**Exports Sustain Montana Businesses** – A total of 620 companies exported goods from Montana locations in 2005. Of those, 528 (85 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

## Montana's Small and Medium-Sized Enterprises Will Benefit from U.S.-Peru TPA Provisions

SMEs generated almost half (49 percent) of Montana's total exports of merchandise in 2005. SMEs particularly benefit from the tariff-eliminating provisions of free trade agreements (FTAs) and should benefit from the significant tariff cuts under the U.S.-Peru TPA. The transparency obligations, particularly those contained in the customs chapter, are also very important to SMEs, which may not have the resources to navigate customs and regulatory red tape.

**Montana Exported 1.2 Million in Goods to Peru in 2006**



Source: International Trade Administration, U.S. Department of Commerce.

## The U.S.-Peru TPA Moves the Trade Relationship from One-Way Preferences to Reciprocity

In 2006, 98 percent of Peru's exports to the United States entered duty-free under unilateral U.S. trade preference programs such as the Andean Trade Preference Act and the Generalized System of Preferences or under zero Normal Trade Relations tariffs. Because of high tariffs, U.S. exporters do not have equivalent access to the Peruvian market. The U.S.-Peru TPA levels the playing field and enhances competition because it moves the U.S.-Peru commercial relationship beyond one-way preferences to full partnership and reciprocal commitments.

## The U.S.-Peru TPA Opens Markets for Montana's Exports

**Machinery Manufactures** – One of Montana's leading manufactured export categories is machinery manufactures, which accounted for \$190 million, or 21 percent, of Montana's total export shipments in 2006. Eighty-nine percent of U.S. capital goods exports will be immediately duty-free upon entry into force of the U.S.-Peru TPA. All U.S. exports of agricultural equipment and 95 percent of construction equipment, including bulldozers, mechanical shovels, boring and sinking machinery, and dumpers, will receive duty-free treatment immediately upon entry into force of the agreement; remaining tariffs will be phased out within 10 years.

**Chemical Manufactures** – Montana's leading manufactured export category is chemical manufactures. Export shipments of these products during the 2002–2006 period grew from \$60 million to \$210 million, an increase of \$151 million or 254 percent. Montana's exporters of chemicals and related products, including pharmaceuticals, cosmetics, fertilizers and agro-chemicals, plastics, and rubber, will benefit from the U.S.-Peru TPA's tariff reductions. Seventy-six percent of U.S. chemical exports will receive duty-free treatment immediately upon entry into force of the agreement, with the remaining tariffs phased out within 10 years. Tariffs on high value chemical products, including many resins, fertilizers, and soda ash, will be phased out immediately.

**Paper Products** – Montana exported \$41 million in paper products in 2006. It is a valuable export commodity for Montana. U.S. paper and paper products producers will benefit from the immediate elimination of Peruvian tariffs on 86 percent of U.S. paper products. Peruvian tariffs in this sector currently average 9.7 percent.

The top U.S. exports to Peru in this sector included graphics paper and paperboard, chemical woodpulp, kraftliner, and newsprint.

## The U.S.-Peru TPA Creates Opportunities for Montana Agriculture

In 2006, Montana's agricultural exports to the world were estimated at \$590 million. Despite high tariffs and other barriers on most agricultural products, exporters shipped more than \$209 million in U.S. farm products to Peru in 2006. In the free trade agreement, a primary U.S. objective was to change the "one-way street" of duty-free access currently enjoyed by most Peru exports into a "two-way street" that provides U.S. suppliers with access to these markets and levels the playing field with competitors. This objective was achieved.

For more information on agricultural exports and the U.S.-Peru TPA, see the fact sheets posted by the U.S. Department of Agriculture at: <http://www.fas.usda.gov/itp/us-peru.asp>

## Free Trade Works for Montana's Exporters

In the first three years (2004-2006) of the U.S.-Singapore FTA, Montana's exports to Singapore increased by 443 percent, from \$6.5 million to \$35 million. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Montana's exports to Canada and Mexico have grown by 176 percent.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to state based on transportation origin, i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Sources: Bureau of the Census, U.S. Department of Commerce, Origin of Movement Series; U.S. Department of Agriculture.

Prepared by the International Trade Administration, U.S. Department of Commerce.