



# Benefits from the U.S.-Peru Trade Promotion Agreement

## Nebraska

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

The U.S.-Peru Trade Promotion Agreement (TPA) offers tremendous opportunities for Nebraska'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.

### Nebraska Depends on World Markets

Nebraska's export shipments of merchandise in 2006 totaled \$3.6 billion. Nebraska exported to 170 foreign destinations in 2006.

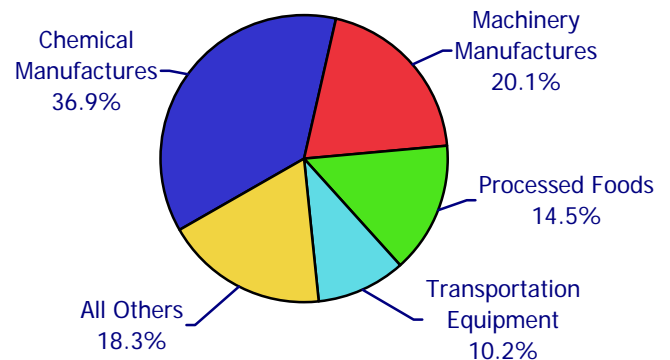
**Exports Support Jobs for Nebraska's Workers** – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 6.3 percent of Nebraska's total private-sector employment; nearly one-seventh (13.7 percent) of all manufacturing workers in Nebraska depended on exports for their jobs. (2003 data are the latest available.)

**Exports Sustain Many Nebraska Businesses** – A total of 1,125 companies exported goods from Nebraska locations in 2005. Of those, 877, or 78 percent, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated over one-third (34 percent) of Nebraska'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.

**Nebraska Exported \$1.3 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 Nebraska's Exporters

**Processed Foods** – Nebraska's leading manufactured export category is processed foods, which alone accounted for \$948 million, or 26 percent of Nebraska's total export shipments in 2006. The U.S.-Peru TPA, when implemented, will stimulate new opportunities for Nebraska businesses in this sector. Peru is a growing market for consumer-oriented foods. Supermarkets are expanding, creating new opportunities for U.S. exports of snack foods, cheese and juices. The U.S.-Peru TPA will enhance these opportunities by eliminating tariff and non-tariff barriers that currently hamper exports of U.S. food and consumer products to Peru.

**Machinery Manufactures** – In dollar terms, Nebraska's leading manufactured export growth category is machinery manufactures. Export shipments of these products during the 2002–2006 period grew \$294 million, from \$284 million to \$579 million. Eighty-nine percent of U.S. capital goods exports will be immediately duty-free upon entry into force of the agreement. 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** – Nebraska's leading manufactured export to Peru is chemical manufactures and in 2006 export shipments of these products accounted for 37 percent of the state's exports to Peru. Nebraska'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.

## U.S.-Peru TPA Creates Opportunities for Nebraska's Agriculture

In 2006, Nebraska's agricultural exports to the world were estimated at \$3.3 billion. Despite high tariffs and other barriers on most agricultural products, including beef, pork, corn, soybeans, and wheat, U.S. 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 Nebraska's Exporters

In the first five years (2002–2006) of the U.S.-Jordan FTA, Nebraska's exports to Jordan increased by 305 percent, from \$501 thousand to \$2 million. Nebraska's exports to Chile jumped 198 percent in the first three years of that FTA (2004–2006) and since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Nebraska's combined exports to Canada and Mexico have grown by 331 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.