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

# Iowa

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

The U.S.-Peru Trade Promotion Agreement (TPA) offers tremendous opportunities for Iowa's exporters. When the Agreement enters into force, 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. Peru's 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 current U.S. agricultural 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.

## Iowa Depends on World Markets

Iowa's export shipments of merchandise in 2006 totaled $8.4 billion. Iowa's export shipments grew 77 percent from 2002 to 2006, the tenth largest percentage gain among the states, and well above the national percentage growth of 50 percent. Iowa exported globally to 186 foreign countries and territories in 2006.

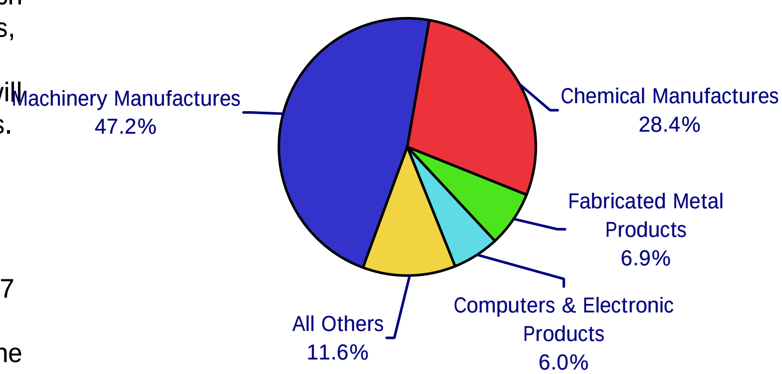
***Exports Support Jobs for Iowa Workers*** – In 2003, export-supported jobs linked to manufacturing account for an estimated 6.8 percent of Iowa's total private-sector employment. Over one-seventh (15.5 percent) of all manufacturing workers in Iowa depend on exports for their jobs. (2003 data are the latest available.)

***Exports Sustain Thousands of Iowa Businesses*** – A total of 2,245 companies exported goods from Iowa locations in 2005. Of those, 1,811 (81 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

## Iowa SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated one-fifth (20 percent) of Iowa'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.

**Iowa Exported $7.1 Million in Goods to Peru in 2006**




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

## The U.S.-Peru TPA Moves the Trading 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 Relation 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 New Markets for Key Iowa Exports

***Machinery Manufactures*** – Machinery manufactures accounted for 27 percent, or $2.3 billion, of Iowa's total measurable merchandise exports in 2006. Iowa's exports of machinery will benefit from U.S.-Peru TPA tariff reductions. Eighty-nine percent of U.S. capital goods exports will be immediately duty-free upon entry into force of the Agreement. Better yet, 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. The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to Iowa exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Iowa companies take advantage of Peru's growing demand for industrial machinery.

***Processed Foods*** – Another top Iowa export category is processed foods, with 2006 sales totaling $1.5 billion. The U.S.-Peru TPA, when implemented, will stimulate new opportunities for Iowa businesses in this sector. Peru is a growing market for consumer-oriented foods, 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.

Many processed food products will receive immediate duty-free treatment such as frozen french fries, cookies, snack foods, canned peaches and pears, mixed canned fruit, many juices, and some wines. Food, beverages, and consumer products currently face Peruvian import tariffs ranging from 12 to 25 percent.

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

In 2006, Iowa's agricultural exports to the world amounted to $4.2 billion. Despite high tariffs and other barriers on most agricultural products, including key Iowa products, 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 for 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

## Trade Works for Iowa Exporters

In the three years since the U.S.-Chile FTA entered into force in 2004, Iowa's exports to Chile have grown 58 percent. Since the U.S.-Singapore FTA entered into force in 2004, Iowa's exports to Singapore have increased 105 percent and since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Iowa's combined exports to Canada and Mexico have increased by 294 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.