



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

Kansas

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

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

Kansas Depends on World Markets

Kansas' export shipments of merchandise in 2006 totaled \$8.6 billion. Kansas' export shipments increased by 73 percent (\$3.6 billion) between 2002 and 2006. That was the twelfth largest percentage increase among the 50 states over that period. Kansas exported to 192 foreign destinations in 2006.

Exports Support Jobs for Kansas Workers –

In 2003, export-supported jobs linked to manufacturing accounted for an estimated 6.8 percent of Kansas' total private-sector employment. Nearly one-sixth (16.3 percent) of all manufacturing workers in Kansas depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Kansas

Businesses – A total of 2,020 companies exported goods from Kansas locations in 2005. Of those, 1,645 (81 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

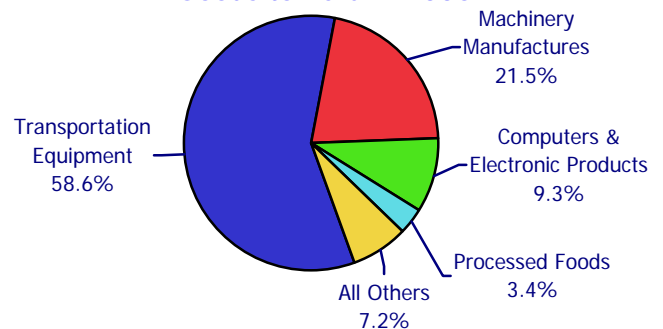
Kansas SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated nearly one-quarter (24 percent) of Kansas' 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.

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 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.

Kansas Exported \$18.3 Million in Goods to Peru in 2006



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

The U.S.-Peru TPA Opens New Markets for Key Kansas Exports

Transportation Equipment – Among manufactured products, the state's leading export category was transportation equipment, which accounted for \$3.3 billion, or 38 percent, of Kansas' total merchandise exports in 2006. Kansas exports of transportation equipment will benefit from U.S.-Peru TPA tariff reductions, with 74 percent of U.S. industrial goods exports immediately duty-free upon entry into force of the agreement. The elimination of Peruvian tariffs on equipment such as trailers, semi-trailers, truck axles, and railway parts will provide a competitive boost to Kansas exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Kansas companies take advantage of Peru's growing demand for transportation equipment.

Chemical Manufactures – Another leading Kansas export category is chemical manufactures, with sales of \$666 million in 2006, up 174 percent from 2002. Kansas 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. Current Peruvian chemical tariffs average 7 percent and can be as high as 12 percent.

Processed Foods – Kansas companies exported \$1.3 billion in processed foods in 2006. Processed foods comprised 15 percent of the state's merchandise exports in 2006. The U.S.-Peru TPA, upon entry into force, will stimulate new opportunities for Kansas 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 including 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 Peru TPA Creates Opportunities for Kansas Agriculture

In 2006, Kansas's agricultural exports to the world amounted to \$3.2 billion. Despite high tariffs and other barriers on most agricultural products, including key Kansas farm exports, 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>

Free Trade Works for Kansas Exporters

In the first three years of the U.S.-Chile FTA (2004–2006), Kansas' exports to Chile have grown 69 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Kansas' combined exports to Canada and Mexico have increased by 263 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.