INTERNATIONAL TRADE ADMINISTRATION

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

Louisiana

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 Louisiana'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.

Louisiana Depends on World Markets

Louisiana's export shipments of goods in 2006 totaled $23.5 billion. Louisiana ranked 12th among the states in terms of total exports in 2006. Louisiana increased its merchandise exports $5.9 billion (34 percent) from 2002 to 2006. Louisiana exported globally to 193 foreign destinations in 2006.

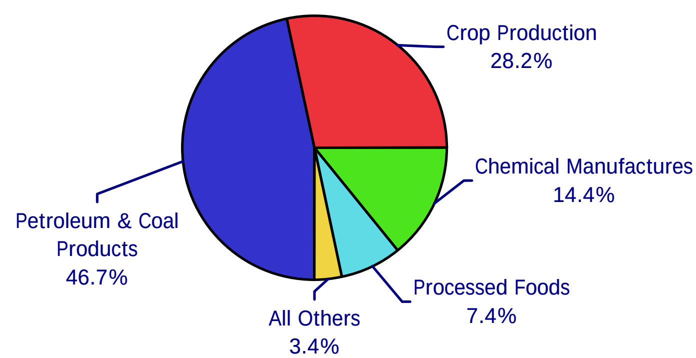
Exports Support Jobs for Louisiana's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 3.9 percent of Louisiana's total private-sector employment. One-ninth (11.2 percent) of all manufacturing workers in Louisiana depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Louisiana Businesses - A total of 2,346 companies exported goods from Louisiana locations in 2005. Of those, 1,971 (84 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

Louisiana's SMEs Will Benefit from Peru TPA Provisions

SMEs generated over one-third (37 percent) of Louisiana'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.

Lousiana Exported $206.0 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 Peru TPA Opens New Markets for Louisiana's Exports

Petroleum and Coal Products – In dollar terms, Louisiana's leading manufactured export growth category is petroleum and coal products. Export shipments of these products during the 2002-2006 period grew from $1.1 billion to $3.9 billion, an increase of $2.8 billion. The Peru TPA will eliminate duties on key products such as anthracite coal. Currently, Peruvian tariffs in this sector range as high as 12 percent.

Chemical Manufactures – Among manufactured products, the state's leading export category in 2006 was chemical manufactures, which alone accounted for $5.1 billion, or 22 percent, of Louisiana's total merchandise exports. Louisiana's exporters of chemicals and related products, including pharmaceuticals, cosmetics, fertilizers, and agro-chemicals, plastics, and rubber, will benefit from the Peru TPA's tariff reductions. Seventy-four 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 over 10 years. Tariffs on high value U.S. chemical products, including many resins, fertilizers, and soda ash, will be phased out immediately.

Processed Foods – Louisiana companies exported $2.2 billion in processed foods worldwide in 2006, up 21 percent from the previous year. The Peru TPA, when implemented, will stimulate new opportunities for Louisiana 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.

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 U.S.-Peru TPA Creates Opportunities for Louisiana Agriculture

Louisiana is also a major supplier of agricultural and livestock products. In 2006, Louisiana's agricultural exports to the world amounted to $641 million. Despite high tariffs and other barriers on most agricultural products, including top Louisiana exports such as rice, cotton and beef, U.S. exporters shipped more than $209 million in U.S. farm products to Peru in 2006. A primary U.S. objective was to change the "one-way street" of duty-free access currently enjoyed by most Peruvian exports into a "two-way street" that provides U.S. suppliers with access to Peru's market. 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 Louisiana's Exporters

In the first three years (2004-2006) of the U.S.-Singapore FTA, Louisiana's exports to Singapore increased by 73 percent, from $221 million to $382 million. The state's exports to Jordan have jumped 288 percent since that FTA took effect in 2001 and since the North American Free Trade Agreement's (NAFTA) entry into force in 1994 Louisiana's combined exports to Canada and Mexico have grown by 364 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.