



INTERNATIONAL
TRADE
ADMINISTRATION

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

Minnesota

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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 Minnesota'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.

Minnesota Depends on World Markets

Minnesota's export shipments of merchandise in 2006 totaled \$16.3 billion, up 57 percent (\$5.9 billion) from the 2002 total of \$10.4 billion. In comparison, total U.S. merchandise exports grew by 50 percent over this period.

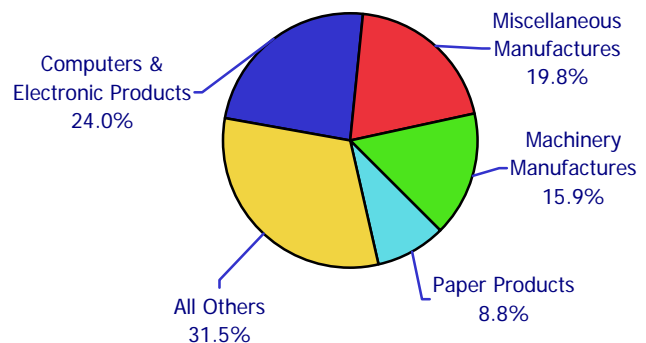
Exports Support Jobs for Minnesota's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 4.7 percent of Minnesota's total private-sector employment; nearly one-sixth (16.0 percent) of all manufacturing workers in Minnesota depended on manufactured exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Minnesota Businesses – A total of 5,567 companies exported goods from Minnesota locations in 2005. Of those, 4,814 (86 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated over one-sixth (17 percent) of Minnesota'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.

Minnesota Exported \$24.4 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 Minnesota's Exports

Computers and Electronic Equipment – Minnesota's largest export category is computers and electronic equipment, which alone accounted for 27 percent, or \$4.4 billion, of Minnesota's exports in 2006. It accounted for 24 percent of Minnesota's total exports to Peru in 2006. Almost all U.S. exports of products covered by the Information Technology Agreement, including important Minnesota exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the U.S.-Peru TPA. Peru is forging ahead in the digital age and ranks third in Latin America in terms of Internet connectivity. With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Peruvians.

Machinery Manufactures – Minnesota's exports of machinery manufactures have increased by \$1.2 billion since 2002, to \$2.5 billion in 2006. Minnesota's exports of machinery manufactures to Peru have grown 576 percent between 2002-2006 from \$716,000 in 2002 to \$4.8 million 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.

Transportation Equipment – Minnesota exported \$1.8 billion in transportation equipment in 2006, an increase of \$738 million since 2002. Minnesota's exports of transportation equipment will benefit from U.S.-Peru TPA tariff reductions.

For transportation equipment, 74 percent of U.S. industrial goods exports will be 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 Minnesota exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Minnesota companies take advantage of Peru's growing demand for transportation equipment.

The U.S.-Peru TPA Creates Opportunities for Minnesota Agriculture

In 2006, Minnesota's agricultural exports to the world were estimated at \$3.0. Despite high tariffs and other barriers on most agricultural 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 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 Minnesota's Exporters

In the first three years of the U.S.-Chile and U.S.-Singapore FTAs (2004-2006), Minnesota's exports to Chile have grown 158 percent and to Singapore have grown 49 percent. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Minnesota's combined exports to Canada and Mexico have grown by 127 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.