



INTERNATIONAL  
**TRADE**  
ADMINISTRATION

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

## South Dakota [www.export.gov/fta/peru/state](http://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 South Dakota'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. 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.

### South Dakota Depends on World Markets

South Dakota's export shipments of merchandise in 2006 totaled \$1.2 billion. South Dakota's export shipments grew 99 percent from 2002 to 2006, the fourth biggest percentage gain among the states. South Dakota exported to 115 foreign countries and territories in 2006.

**Exports Support Jobs for South Dakota's Workers** – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 2.6 percent of South Dakota's total private-sector employment; over one-twelfth (8.6 percent) of all manufacturing workers in South Dakota depended on manufactured exports for their jobs. (2003 data are the latest available.)

**Exports Sustain Many South Dakota Businesses** – A total of 512 companies exported goods from South Dakota locations in 2005. Of those, 423 (83 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

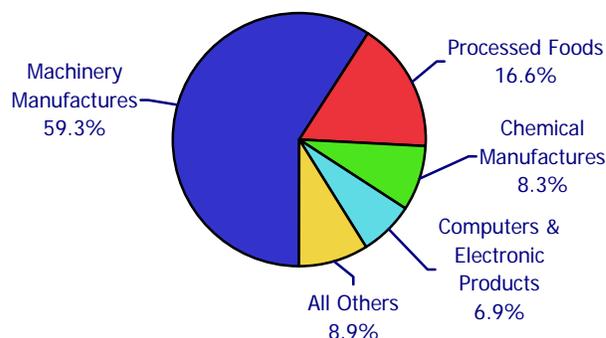
### South Dakota's SMEs Will Benefit from U.S.-TPA Provisions

SMEs generated 36 percent of South Dakota's total exports of merchandise in 2005, well above the national average of 29 percent. SMEs enterprises 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 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.

### South Dakota Exported \$380.1 thousand in Goods to Peru in 2006



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

## The U.S.-Peru TPA Opens New Markets for South Dakota's Exports

**Processed Food Manufactures** – South Dakota's second largest manufactured export category in 2006 is processed foods. Export shipments of these products during the 2002–2006 period grew from \$179 million to \$285 million, an increase of \$106 million. The U.S.-Peru TPA, when it enters into force, will stimulate new opportunities for Washington's 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.

**Computer and Information Technology Manufactures** – South Dakota's top manufactured export category is the computer and electronics sector. South Dakota's exports of computer and electronics products were \$358 million in 2006—an increase of \$190 million from 2002. The Peru TPA improves market access for information technology goods and service providers. Almost all U.S. exports of products covered by the Information Technology Agreement, including important Washington exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the 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** – Machinery manufactures was South Dakota's third largest export category and also one in which South Dakota experienced significant export growth. South Dakota exported \$155 million in machinery manufactures in 2006, an increase of \$91 million from 2002. South Dakota'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. 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 South Dakota's exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help South Dakota's companies take advantage of Peru's growing demand for industrial machinery.

## Peru TPA Creates Opportunities for South Dakota's Agriculture

In 2006, South Dakota's agricultural exports to the world were estimated at \$1.2 billion. Despite high tariffs and other barriers on most agricultural products, including key South Dakota farm products such as beef, soybeans, and corn, 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 South Dakota's Exporters

Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, South Dakota's combined exports to Canada and Mexico have grown by 398 percent. Since the entry into force of the U.S.-Singapore agreement in 2004, South Dakota's exports to Singapore have grown 132 percent. South Dakota's exports to Chile have grown by 38 percent since the entry into force of the U.S.-Chile FTA in 2004.

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.