



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

Wisconsin

www.export.gov/fta/peru/state

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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 Wisconsin'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.

Wisconsin Depends on World Markets

Wisconsin's export shipments of merchandise in 2006 totaled \$17.2 billion, up 61 percent from 2002, and above the 50 percent expansion in total U.S. exports of goods during this period. Wisconsin ranked 19th among the states in total export shipments in 2006. Wisconsin exported \$43.5 million worth of goods to Peru in 2006, a 366 percent increase from 2002 exports of \$9.3 million.

Wisconsin exported to 201 foreign destinations in 2006.

Exports Support Jobs for Wisconsin's Workers –

In 2003, export-supported jobs linked to manufacturing accounted for an estimated 5.3 percent of Wisconsin's total private-sector employment. One-seventh (14.2 percent) of all manufacturing workers in Wisconsin depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Wisconsin's Businesses – A total of 5,762 companies exported from Wisconsin locations in 2005. More than four-fifths of these companies (86 percent, or 4,944 companies) were small and medium-sized enterprises, with fewer than 500 employees.

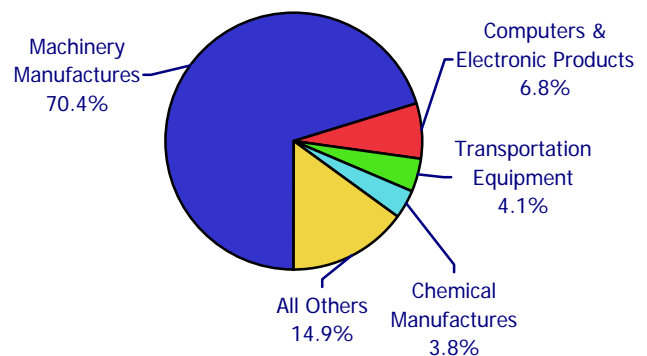
Wisconsin's SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated more than one-fifth (22 percent) of Wisconsin'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.

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.

Wisconsin Exported \$43.5 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 Wisconsin's Exports

Machinery Manufactures – Wisconsin's leading manufactured export category in 2006 was machinery manufactures (\$4.6 billion in exports). Machinery manufactures was also Wisconsin's leading manufactured export growth category in dollar terms, with export shipments increasing by \$1.6 billion from 2002 to 2006. Wisconsin'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 Wisconsin's exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Wisconsin's companies take advantage of Peru's growing demand for industrial machinery.

Computers and Electronic Equipment– Another manufactured export sector that registered large dollar growth from 2002 to 2006 was computers and electronic products, growing \$1.1 billion to a total of \$3.1 billion in 2006. The U.S.-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 Wisconsin 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.

Transportation Equipment – Wisconsin's exports of transportation equipment also experienced significant growth from 2002 to 2006, growing by \$1.2 billion to a total of \$2.3 billion in 2006. Wisconsin'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 Wisconsin's exporters, who will no longer be facing tariffs that are as high as 12 percent.

The U.S.-Peru TPA Creates Opportunities for Wisconsin's Agriculture

In 2006, Wisconsin's agricultural exports to the world estimated at \$1.5 billion. Despite high tariffs and other barriers on most agricultural products, including key Wisconsin farm products such as dairy, beef, 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 Wisconsin's Exporters

Since the North America Free Trade Agreement's (NAFTA) entry into force in 1994, Wisconsin's exports to Canada and Mexico combined have grown by 180 percent. In the five years the U.S.-Jordan FTA has been in effect, Wisconsin's exports to Jordan have jumped 237 percent. Since the entry into force of the U.S.-Chile FTA in 2004, Wisconsin's exports to Chile have grown by \$36 million, or 42 percent. Since the entry into force of the U.S.-Singapore FTA in 2004, Wisconsin's exports to Singapore have grown by 84 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