



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

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

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

## Idaho Depends on World Markets

Idaho's export shipments of merchandise in 2006 totaled \$3.7 billion, up 89 percent from \$2.0 billion in 2002, the seventh highest percentage change among the 50 states. Idaho exported to 145 foreign destinations in 2006.

### **Exports Support Jobs for Idaho Workers –**

Export-supported jobs linked to manufacturing accounted for an estimated 4.5 percent of Idaho's total private-sector employment. Over one-eighth (13.2 percent) of all manufacturing workers in Idaho depend on exports for their jobs. (2003 data are the latest available.)

**Exports Sustain More Than a Thousand Idaho Businesses –** A total of 1,006 companies exported from Idaho locations in 2005. Eighty-five percent of these companies (856), or more than four-fifths, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

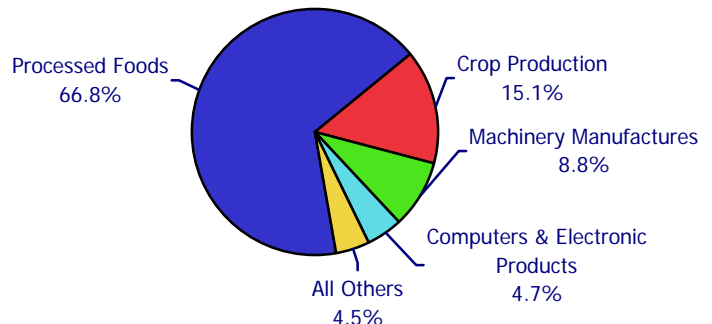
## Idaho SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated 16 percent of Idaho'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 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 Relation 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.

### Idaho Exported \$3.4 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 Idaho Exports

**Computers and Electronic Products** – The state's leading export category by far is computers and electronic equipment, which accounted for 69 percent, or \$2.6 billion, of Idaho's total merchandise exports in 2006. Almost all U.S. exports of products covered by the Information Technology Agreement, including important Idaho exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the U.S.-Peru TPA. With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Peruvians. Best prospects in this sector include computers and computer parts, radio and television broadcasting apparatus, and software.

**Processed Foods** – Idaho companies exported \$273 million in processed foods in 2006. The U.S.-Peru TPA, when implemented, will stimulate new opportunities for Idaho 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 such as 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.

**Chemical Manufactures** – In 2006, Idaho exports of chemical manufactures amounted to \$157 million. Idaho's exporters of chemical 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. Over the past five years, U.S. exporters of basic chemicals (up \$93 million) and resin, synthetic rubber, synthetic fibers and filaments (up \$89 million) have seen strong export growth to Peru.

## The U.S.-Peru TPA Creates Opportunities for Idaho Agriculture

In 2006, Idaho's agricultural exports to the world amounted to \$911 million. Despite high tariffs and other barriers on most agricultural products, including key Idaho farm 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 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 Idaho's Exporters

In the first three years of the U.S.-Chile FTA (2004–2006), Idaho's exports to Chile have grown 186 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Idaho's combined exports to Canada and Mexico have increased 245 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.