



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

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

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

## Indiana Depends on World Markets

Indiana's export shipments of merchandise in 2006 totaled \$22.6 billion, the thirteenth largest figure among the states. Indiana increased its merchandise exports \$7.7 billion (52 percent) from 2002 to 2006, the eleventh largest dollar increase among the states during that period. Indiana exported to 195 foreign destinations in 2006.

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

In 2003, export-supported jobs linked to manufacturing account for 6.1 percent of Indiana's total private-sector employment. Nearly one-sixth (16.5 percent) of all manufacturing workers in Indiana depend on exports for their jobs. (2003 data are the latest available.)

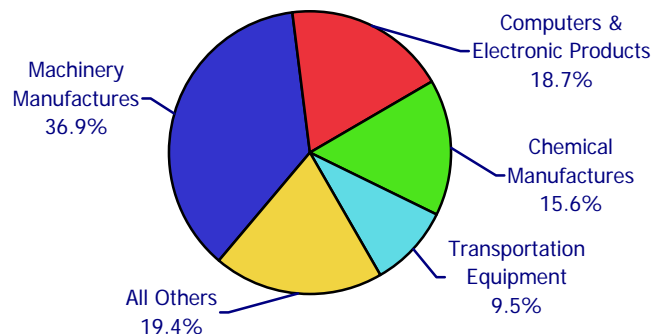
### **Exports Sustain Thousands of Indiana**

**Businesses** – A total of 5,372 companies exported goods from Indiana locations in 2005. Of those, 4,513 (84 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated 16 percent of Indiana'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.

### Indiana Exported \$18.6 Million in Goods to Peru in 2006



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

## 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 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 New Markets for Key Indiana Exports

**Transportation Equipment** – Among manufactured products, the state's leading export category is transportation equipment, which accounted for \$7.0 billion, or 31 percent of Indiana's total merchandises exports in 2006. Indiana's exports of transportation equipment will benefit from U.S.-Peru TPA tariff reductions, with 74 percent of U.S. industrial goods exports 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 Indiana exporters, who will no longer be facing tariffs as high as 12 percent. This will help Indiana companies take advantage of Peru's growing demand for transportation equipment.

**Chemical Manufactures** – In 2006, Indiana companies exported \$4.6 billion in chemical manufactures worldwide, an increase of 87 percent since 2002. Indiana's exporters of chemical and related products, including pharmaceuticals, cosmetics, fertilizer and agro-chemicals, plastics, and rubber will benefit from the Peru TPA's tariff reductions. Seventy-six percent of U.S. chemical exports will receive duty-free treatment immediately upon implementation 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.

**Machinery Manufactures** – Indiana companies exported \$3.0 billion in machinery manufactures in 2006 and 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 Indiana exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Indiana companies take advantage of Peru's growing demand for industrial machinery.

### U.S.-Peru TPA Creates Opportunities for Florida's Agricultural

Indiana is also a major exporter of agriculture and livestock products. In 2006, Indiana's agricultural exports to the world amounted to \$2 billion. Despite high tariffs and other barriers on most agricultural products, including key Indiana farm exports; 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 Indiana's Exporters

In the first three years of the U.S.-Chile FTA (2004–2006), Indiana's exports to Chile have more than doubled (up 102 percent). Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Indiana's combined exports to Canada and Mexico have increased 219 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.