



INTERNATIONAL
TRADE
ADMINISTRATION

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

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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 North Dakota'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.

North Dakota Depends on World Markets

North Dakota's export shipments of merchandise in 2006 totaled \$1.5 billion. That is a 76 percent increase from the 2002 figure of \$859 million, the 11th fastest growth among the 50 states over that time period.

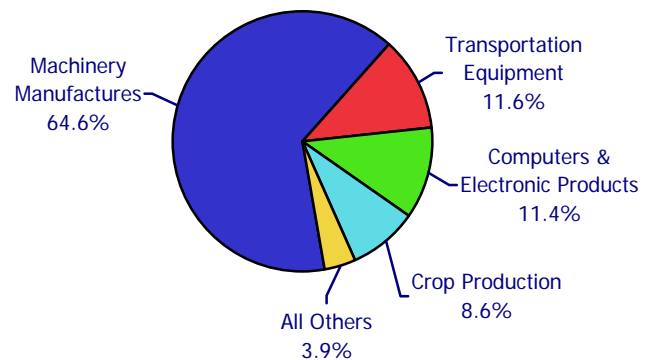
Exports Support Jobs for North Dakota's Workers – in 2003, export-supported jobs linked to manufacturing accounted for an estimated 3.0 percent of North Dakota's total private-sector employment; over one-seventh (15 percent) of all manufacturing workers in North Dakota depended on manufactured exports for their jobs. (2003 are the latest data available.)

Exports Sustain Many North Dakota Businesses – A total of 696 companies exported goods from North Dakota locations in 2005. Of those, 580, or 83 percent, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated over one-fourth (26 percent) of North Dakota'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.

North Dakota Exported \$1.9 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 New Markets for North Dakota's Exports

Machinery Manufactures – North Dakota's leading manufactured export category is machinery manufactures, which alone accounted for \$817 million, or 54 percent of North Dakota's total export shipments in 2006. 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.

Processed Foods – North Dakota exported \$140 million in processed food products in 2006. 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.

Transportation Equipment – Transportation equipment is an important North Dakota export. In 2006, North Dakota exported \$ 117 million in transportation equipment. North Dakota'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 New York exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help New York companies take advantage of Peru's growing demand for transportation equipment.

The U.S.-Peru TPA Creates Opportunities for North Dakota Agriculture

In 2006, North Dakota's agricultural exports to the world were estimated at \$1.9 billion. 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 North Dakota's Exporters

In the first three years (2004-2006) of the U.S.-Chile FTA, North Dakota's exports to Chile increased by 125 percent, from \$1.4 million to \$3.1 million. Even more dramatic, during the first three years of the U.S.-Singapore FTA (2004-2006), North Dakota's exports to Singapore increased by 324 percent and in the five years since the U.S.-Jordan FTA entered into force (2002-2006), the state's exports to Jordan have jumped 494 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.