U.S. SENATE COMMITTEE ON
Finance
SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN
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Opening Statement of Sen. Chuck Grassley
Hearing on the Implementation of the
U.S.-Peru Trade Promotion Agreement
Thursday, June 29, 2006

Welcome to today's hearing on the U.S.-Peru Trade Promotion Agreement. First, I want to thank our witnesses for appearing at today's hearing. Many of them have traveled a long way to be here, and I look forward to hearing their views. The U.S.-Peru Trade Promotion Agreement is an exceptionally strong trade agreement that deserves the support of this Committee and the Congress.

This free trade agreement provides significant benefits for U.S. farmers, manufacturers, and service providers. The U.S. Peru Trade Promotion Agreement will level the playing field for U.S. exporters. It will remove Peru's high tariffs on products imported from the United States. While most of Peru's tariffs average between 12 and 25 percent, almost all U.S. tariffs on Peruvian products are at zero. Some 97 percent of imports from Peru enter the United States duty-free. This unbalanced trading relationship is largely the result of unilateral trade benefits provided by Congress to Peru through the Andean Trade Preference Act of 1991, which was renewed and expanded in 2002.

The U.S.-Peru Trade Promotion Agreement will bring balance to the U.S.-Peru trading relationship. It will bring Peru's tariffs down to the level of almost all U.S. tariffs on Peruvian products – zero. This Agreement will indeed boost U.S. exports. The U.S. International Trade Commission has found that, under this agreement, U.S. exports to Peru will increase by 25 percent. In comparison, Peruvian exports to the United States will grow by 8 percent. The International Trade Commission has also determined that the U.S. gross domestic product will grow by an additional $2.1 billion as a result of this agreement.

The U.S.-Peru Trade Promotion Agreement will be particularly good for U.S. agriculture. The average Peruvian duty on U.S. agricultural and food imports of 18 percent will disappear under the Agreement. The International Trade Commission predicts the Peru Trade Promotion Agreement will have a "substantial positive effect" on U.S. exports to Peru of the major U.S. commodities of pork, beef, corn, wheat, and rice. For example, U.S. rice exports will grow ten- to fifteen-fold as a result of this agreement. U.S. exports of corn to Peru will likely more than double under the Agreement. The National Pork Producers Council predicts that the Agreement will increase U.S. hog prices by 83 cents per head. According to the American Farm Bureau Federation, the total increase in U.S. farm exports resulting from the Agreement could exceed $705 million annually.

The U.S.-Peru Trade Promotion Agreement will boost exports of U.S. manufacturers. The International Trade Commission estimates that U.S. exporters of machinery, chemicals, and rubber and plastic products will be among the biggest beneficiaries of the Agreement. The U.S.-Peru Trade

Promotion Agreement will benefit U.S. service providers as Peru is committing to go beyond its WTO obligations on services. This agreement is also significant in that it will lock-in recent economic reforms in Peru. In doing so, it will help to bring economic and political stability to Peru, a situation that will ultimately benefit the United States.

Latin America is currently at a crossroads. Some countries in the region, such as Venezuela, Bolivia, and Ecuador, are seeking to further centralize their economies and, at the same time, to distance themselves from the United States. But other countries in Latin America, notably Peru, are doing just the opposite. They're committed to market liberalization and to strengthening their economic ties with the United States. The Peruvian Congress, by passing implementing legislation for the free trade agreement this week by a vote of 79 to 14, clearly demonstrated that it's committed to building its economic relations with our country.

By implementing this agreement, the United States Congress will show that it's committed to helping build economic and political stability in Peru and, by extension, in the rest of Latin American. At the same time, by approving this agreement, the U.S. Congress will provide substantial economic benefits to U.S. farmers, manufacturers, and service providers.