



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Chairman Chuck Grassley  
Senate Finance Committee  
Consultative Consideration of the  
U.S.-Peru Trade Promotion Agreement  
Thursday, July 27, 2006

The Committee will now convene in open executive session to review, and make informal recommendations on, proposed legislation to implement the United States-Peru Trade Promotion Agreement. The Committee's informal consideration of the implementing legislation for the U.S.-Peru Trade Promotion Agreement is part of the consultative process envisioned in Trade Promotion Authority.

It is an informal procedure that is not required as part of Trade Promotion Authority. Still, I think it is important to review the bill in a public forum, provide an opportunity to comment on the bill, and propose potential legislative changes. Before we begin with the technical review of the proposed implementing bill, I want to say a few words about the Peru agreement. This agreement is exceptionally strong. 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 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 our trading relationship. It will bring Peru's tariffs down to the level of almost all U.S. tariffs on Peruvian products – that is, 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. This trade 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. According to the American Farm Bureau Federation, the total increase in U.S. farm exports resulting from the Agreement could exceed \$705 million annually.

This agreement will also 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. Our service providers also stand to benefit, as Peru is

committing to go beyond its WTO obligations on services. In sum, this agreement will clearly benefit the United States, and it will bring important benefits to Peru as well.