



NEWS

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Congressman Wally Herger (CA-2)

Opening Statement

Committee on Ways and Means

Markup of Implementing Legislation to the U.S.-Peru Trade Promotion Agreement

October 31, 2007

Thank you, Mr. Chairman. The United States already provides duty-free access to virtually all imports from Peru. However, U.S. exporters face tariffs averaging 8 percent on products produced by American workers and exported to Peru. The PTPA will eliminate tariffs on U.S. exports to Peru and reduce or eliminate other trade barriers to the benefit of American manufacturers, farmers, and ranchers.

Exports are a critical component of U.S. economic growth. In August the United States exported a record \$138.3 billion, the sixth consecutive month of record U.S. exports. This morning the Bureau of Economic Analysis announced that third quarter GDP growth was 3.9 percent. U.S. exports contributed almost a two full percentage points to this increase.

Given the growing importance of exports to U.S. economic growth, it is critical that Congress pass the implementing legislation for PTPA as well as for the FTAs with Colombia, Panama, and South Korea. These four free trade agreements represent markets worth nearly \$1.8 trillion, larger than either Canada or Mexico, and all four markets are growing rapidly.

Free Trade Agreements implemented under Trade Promotion Authority have expanded U.S. exports and reduced the U.S. trade deficit. The U.S. trade balance with the 12 countries for which FTAs have been implemented under TPA improved by an overwhelming 162 percent between 2001 and 2006, creating a trade surplus of \$13.9 billion with these countries.

Exports are particularly important to small and medium sized companies. The number of small and medium sized companies that export has more than doubled since 1992. These companies accounted for \$228.5 billion in exports in 2005, over 29 percent of total exports. In 2005, small and medium sized companies exported \$774 million to

Peru, equal to 38 percent of total exports to Peru. Not only will the PTPA provide reciprocal access for U.S. exporters to Peru, but the PTPA will level the playing field in Peru for U.S. companies competing against other countries.

For example, U.S. exporters of rice face a 25 percent duty plus a variable levy when they ship to Peru, but Uruguay pays only the variable levy and otherwise has duty free access through a special regional arrangement. The PTPA will eliminate the tariff and variable levy on U.S. rice, while Uruguay will still be subject to the variable levy, giving U.S. rice exporters an edge over its competition.

I am very pleased to support the passage of the PTPA as this agreement will greatly benefit U.S. companies and workers. I also look forward passing the FTAs with Colombia, Panama, and Korea as concrete steps Congress can take to support continued economic growth and spur further reductions in the U.S. trade deficit.