



Business RoundtableSM

**ISSUE BRIEF: PERU TPA
PROMOTING ECONOMIC GROWTH**

THE U.S.-PERU TRADE PROMOTION AGREEMENT WILL HELP GROW PERU'S ECONOMY AND REDUCE POVERTY

Trade liberalization will bring jobs and economic growth and help lift Peru's poor out of poverty, increasing their purchasing power by lowering the cost of food and consumer goods.

Peru is a developing country that is still working to lift significant portions of its population out of poverty. Increased trade and investment liberalization will help Peru continue on the path of solid economic growth that it has been following since 2000.

- Following the ouster of President Alberto Fujimori in 2000 as a result of corruption scandals, the Peruvian government has placed the country on a path to economic growth through liberalization and economic reform. That liberalization has already improved Peru's economy and the well-being of its citizens. Increased economic liberalization through the U.S.-Peru Trade Promotion Agreement ("PTPA") promises even greater returns.
 - Peru's economy has been growing steadily since 2001. Its economic growth rate in 2006 is estimated at 6.5 percent – a rate exceeding that in many other Latin American countries.
 - Peru's per capita income has grown by more than 20 percent since 2000, up from \$2,050 in 2000 to more than \$2500 in 2005.
- Reduction of Peru's tariffs on imports of consumer goods and agricultural products from the United States will reduce the prices that Peru's poor families must pay for basic necessities, helping Peruvians increase their purchasing power and free up their income for other expenses, including education, housing and health care.

Increased trade and investment will help Peru continue on the path of economic growth it began in 2000.

Trade and investment liberalization helps increase a developing country's overall wealth and reduce tariffs that burden the poor.

- Around the world, free trade leads to economic growth, including increased employment and real wages. According to an IMF working paper “trade liberalization has a positive overall effect on the employment and income of the poor.”
- Following the implementation of the U.S.-Chile Free Trade Agreement in 2004, Chile's GDP growth accelerated to about 6 percent per year in both 2004 and 2005. GDP in Chile has also been growing at a rapid rate since implementation of the U.S.-Chile FTA.
- According to a WTO study, the poor generally gain when their country engages in trade and investment liberalization. According to the WTO report “trade liberalization is generally a strongly positive contributor to poverty alleviation – it allows people to exploit their productive potential, assists economic growth, curtails arbitrary policy interventions and helps to insulate against shocks.”
- A World Bank study on trade and poverty also demonstrates that trade liberalization helps alleviate poverty. Using data from 80 countries over four decades, the World Bank found that economic openness boosts economic growth and that the incomes of the poor rise one-for-one with overall economic growth.

Contact: Brigitte Schmidt Gwyn
Director, International Trade & Fiscal Policy
Business Roundtable
202.496.3263
bgwyn@businessroundtable.org