



INTERNATIONAL
TRADE
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Benefits from the U.S.-Peru Trade Promotion Agreement Massachusetts www.export.gov/fta/peru/state August 2007

The U.S.-Peru Trade Promotion Agreement Provides Enhanced Market Access

The U.S.-Peru Trade Promotion Agreement (TPA) offers tremendous opportunities for Massachusetts' 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.

Massachusetts Depends on World Markets

Massachusetts's export shipments of merchandise in 2006 totaled \$24.0 billion, the eleventh-largest export figure among the 50 states. This is a 44 percent (\$7.3 billion) increase over the 2002 total of \$16.7 billion.

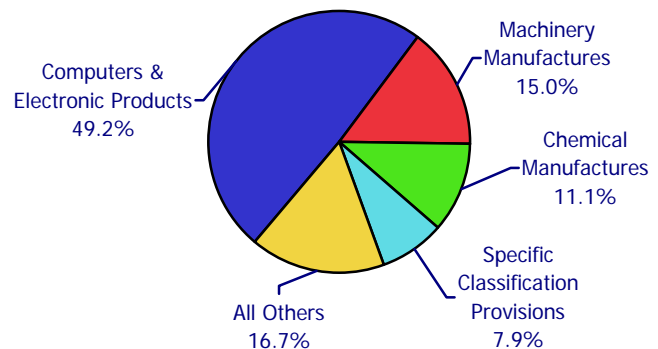
Exports Support Jobs for Massachusetts's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 5.0 percent of Massachusetts's total private-sector employment; over one-fifth (22.1 percent) of all manufacturing workers in Massachusetts depended on manufactured exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Massachusetts Businesses – A total of 8,337 companies exported goods from Massachusetts in 2005. Of those, 7,432 (89 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated over one-fourth (27 percent) of Massachusetts'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.

Massachusetts Exports \$8.6 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 U.S. 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 Markets for Massachusetts' Exports

Computers and Electronic Products – Massachusetts' leading export category is computers and electronic products, which accounted for \$7.5 billion, or 31 percent, of Massachusetts' total merchandise exports in 2006. The U.S.-Peru TPA improves market access for information technology goods and service providers. Almost all U.S. exports of products covered by the Information Technology Agreement, including important Massachusetts' exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the U.S.-Peru TPA.

Chemical Manufactures – Massachusetts exported \$5.2 billion of chemical manufactures in 2006. Massachusetts' exporters of chemicals and related products, including pharmaceuticals, cosmetics, fertilizers and agro-chemicals, plastics, and rubber, will benefit from the U.S.-Peru TPA's tariff reductions. Seventy-four percent of U.S. chemical exports will receive duty-free treatment immediately upon entry into force of the agreement, with the remaining tariffs phased out over 10 years.

Machinery Manufactures – Exports of machinery manufactures totaled \$2.7 billion in 2006. The state's exports of machinery will benefit from U.S.-Peru TPA tariff reductions. 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 over 10 years. The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to Massachusetts' exporters.

Free Trade Works for Massachusetts' Exporters

Since the U.S.-Jordan FTA took effect in 2001, Massachusetts' exports to Jordan increased by 51 percent, from \$7.6 million to \$11 million. In the first three years of the U.S.-Chile FTA (2004–2006), Massachusetts' exports to Chile have grown 72 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.