



Benefits from the U.S.-Peru Trade Promotion Agreement **Delaware**

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

The U.S.-Peru Trade Promotion Agreement (TPA) offers tremendous opportunities for Delaware's exporters. When the Agreement enters into force, 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. Peru's 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 current U.S. agricultural 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.

Delaware Depends on World Markets

Delaware's export sales of merchandise in 2006 totaled \$3.9 billion, up 94 percent (\$1.9 billion) from \$2.0 billion in 2002. That was the fifth highest percentage increase among the 50 states over that period. Delaware exported to 140 foreign destinations in 2006.

Exports Support Jobs for Delaware Workers

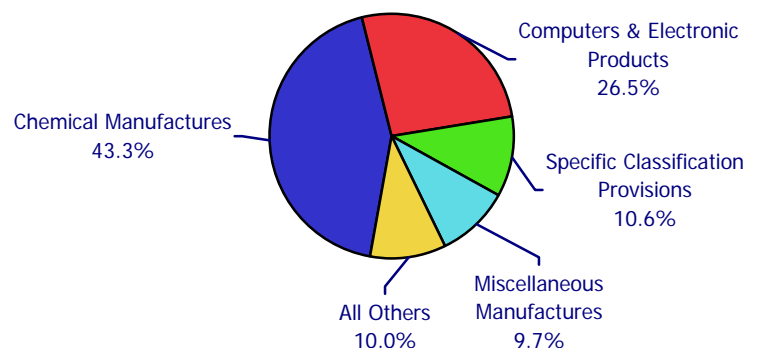
– In 2003, export-supported jobs linked to manufacturing accounted for an estimated 3.2 percent of Delaware's total private-sector employment. Approximately one-seventh (14.2 percent) of all manufacturing workers in Delaware depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Delaware Businesses – A total of 742 companies exported from Delaware locations in 2005. Of those, 600 (81 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

Delaware SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated nearly one-fifth (19 percent) of Delaware'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.

Delaware Exported \$1.9 Million in Goods to Peru in 2006



Source: International Trade Administration, U.S. Department of Commerce.

The U.S.-Peru TPA Moves the Trading Relationship from One-Way Preferences to Reciprocity

In 2006, 98 percent of Peru's exports to the United States 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 New Markets for Key Delaware Exports

Chemical Manufactures – Chemical manufactures, with 48 percent of the 2006 value (\$1.9 billion), dominated the state's exports. Chemical manufactures were also the state's leading export growth category in dollars terms, increasing \$942 million during the 2002-2006 period. Delaware's 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-six 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 within 10 years. Current Peruvian chemical tariffs average 7 percent and can be as high as 12 percent. Over the past five years, U.S. exporters of basic chemicals (up \$93 million) and resin, synthetic rubber, synthetic fibers and filaments (up \$89 million) have seen strong export growth to Peru.

Computers and Electronic Products – Computers and electronic products were Delaware's second leading global export category in 2006, with exports totaling \$475 million. 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 key Delaware exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the U.S.-Peru TPA.

With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Peruvians. Best prospects in this sector include computers and computer parts, radio and television broadcasting apparatus, and software.

Petroleum and Coal Products – Petroleum and coal products is Delaware's fastest-growing manufactured export category in percentage terms, rising over 4,600 percent, from \$4.6 million in 2002 to \$217 million in 2006. In dollar terms, these products are a leading growth category among U.S.-manufactured exports to Peru. U.S. exports of these products to Peru surged between 2002-2006, growing from \$54 million to \$282 million. The U.S.-Peru TPA will eliminate duties on key products including certain types of coal. Currently, Peruvian tariffs in this sector range as high as 12 percent.

Free Trade Works for Delaware's Exporters

Since the U.S.-Jordan FTA took effect in 2001, Delaware's exports to Jordan have increased 537 percent. In the first three years of the U.S.-Singapore FTA (2004-2006), exports from Delaware rose 153 percent. Since the U.S.-Australia FTA took effect in 2005, Delaware's exports to Australia increased 91 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.