



INTERNATIONAL
TRADE
ADMINISTRATION

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

New Mexico

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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 New Mexico's 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.

New Mexico Depends on World Markets

New Mexico's export shipments of merchandise in 2006 totaled \$2.9 billion, up 142 percent from the 2002 level of \$ 1.2 billion. This was the second-fastest growth among the 50 states over that time period.

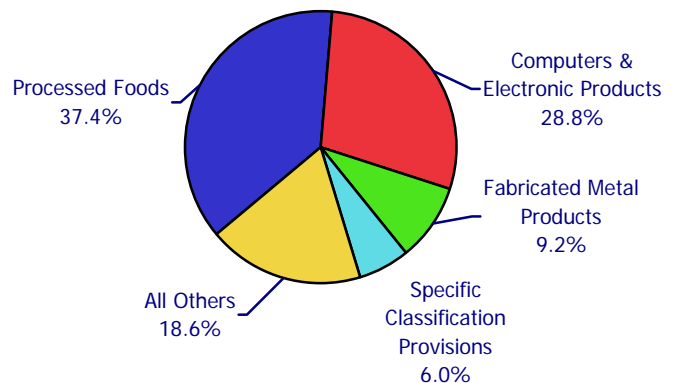
Exports Support Jobs for New Mexico's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 3.0 percent of New Mexico's total private-sector employment; nearly one-sixth (16.4 percent) of all manufacturing workers in New Mexico depended on exports for their jobs. (2003 data are the latest available.)

Exports Sustain More Than a Thousand New Mexico Businesses – A total of 888 companies exported from New Mexico locations in 2005. Of these, 724 (82 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated 7 percent of New Mexico'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.

New Mexico Exported \$621 Thousand 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 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 New Mexico's Exports

Computers and Electronic Products – The computers and electronic products sector dominates the state's export profile, accounting for 74 percent (\$2.1 billion) of New Mexico's total merchandise exports in 2006. Almost all U.S. exports of products covered by the Information Technology Agreement, including important New Mexico exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the U.S.-Peru TPA. Peru is forging ahead in the digital age and ranks third in Latin America in terms of Internet connectivity. With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Peruvians.

Machinery Manufactures – New Mexico businesses exported \$100 million in machinery manufactures in 2006. 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 within 10 years. The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to New Mexico exporters, who will no longer be facing tariffs that are as high as twelve percent.

Paper Products – New Mexico exports of paper products increased by 29 percent between 2002 and 2006. New Mexico's paper and paper products producers will benefit from the immediate elimination of Peruvian tariffs on 86 percent of U.S. paper products. Peruvian tariffs in this sector currently average 9.7 percent. The top U.S. exports to Peru in this sector included graphics paper and paperboard, chemical woodpulp, kraftliner, and newsprint.

Free Trade Works for New Mexico's Exporters

In the first three years (2004–2006) of the U.S.-Chile FTA, New Mexico's exports to Chile have increased by more than 3,900 percent, from \$342 thousand to \$14 million. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, New Mexico's combined exports to Canada and Mexico have grown by 296 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.