



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

Vermont

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

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

Vermont Depends on World Markets

Vermont's export shipments of merchandise in 2006 totaled \$3.8 billion. Vermont's exports of merchandise increased 51 percent from 2002 to 2006. Vermont exported to 148 countries and territories in 2006.

Exports Support Jobs for Vermont's Workers

– In 2003, export-supported jobs linked to manufacturing accounted for an estimated 7.4 percent of Vermont's total private-sector employment. Over one-fifth (22.9 percent) of all manufacturing workers in Vermont depend on exports for their jobs. (2003 data are the latest available.)

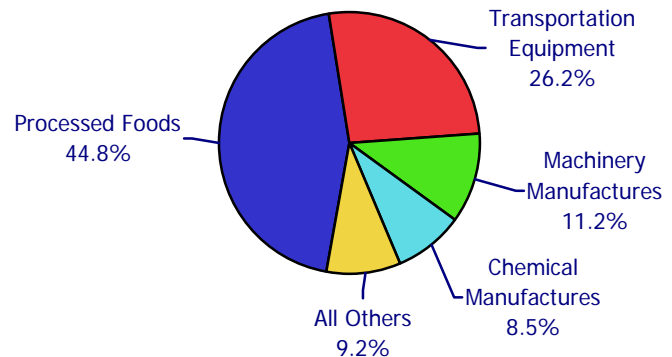
Exports Sustain Many Vermont Businesses –

A total of 894 companies exported goods from Vermont locations in 2005. Of those, 761 (85 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

Vermont's SMEs Will Benefit from U.S.-Peru TPA Provisions

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.

Vermont Exported \$1.1 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 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 Vermont's Exports

Computers and Electronic Products – The state's leading manufactured export category is computers and electronic products, which accounted for \$3 billion (78 percent) of Vermont's total merchandise exports in 2006. It is also Vermont's leading manufactured export growth category in dollar terms with exports growing by \$1.1 billion from 2002 to 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 Utah 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 – The state's second leading manufactured export category is machinery, which accounted for \$136 million of Vermont's total merchandise exports in 2006. Vermont'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.

Better yet, 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 Vermont's exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Vermont's companies take advantage of Peru's growing demand for industrial machinery.

Transportation Equipment - The state's third leading manufactured export category is transportation equipment, which accounted for \$126 million of Vermont's total merchandise exports in 2006. Vermont's exports of transportation equipment will benefit from U.S.-Peru TPA tariff reductions. For transportation equipment, 74 percent of U.S. industrial goods exports will be immediately duty-free upon entry into force of the agreement. The elimination of Peruvian tariffs on equipment such as trailers, semi-trailers, truck axles, and railway parts will provide a competitive boost to Vermont's exporters, who will no longer be facing tariffs that are as high as 12 percent.

Free Trade Works for Vermont's Exporters

The state's largest market in 2006 by far was North American Free Trade Agreement (NAFTA) member Canada, which received exports of \$1.7 billion of Vermont's merchandise export total. Since the entry into force of the U.S.-Singapore FTA in 2004, Vermont's exports to Singapore have risen by 86 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.