



INTERNATIONAL
TRADE
ADMINISTRATION

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

Alaska

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 Alaska'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.

Alaska Depends on World Markets

Alaska's export shipments of merchandise in 2006 totaled \$4.0 billion, up 61 percent from 2002. By comparison, total U.S. merchandise exports rose 50 percent over the 2002-2006 period. Alaska exported globally to 92 foreign countries and territories in 2006.

Exports Support Jobs for Alaska's Workers –

In 2003, export-supported jobs linked to manufacturing accounted for an estimated 2.1 percent of Alaska's total private-sector employment; 7.9 percent of all manufacturing workers in Alaska depended on manufactured exports for their jobs. (2003 data are latest available.)

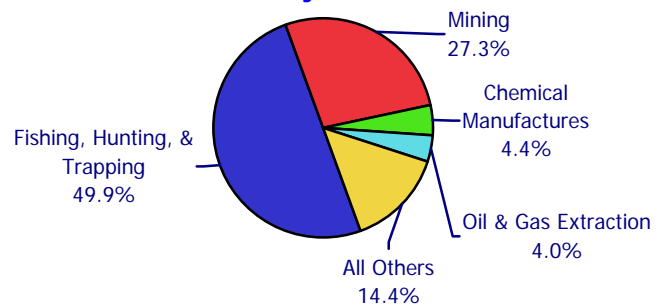
Exports Sustain Hundreds of Alaska

Businesses – A total of 548 companies exported from Alaska locations in 2005. Of those, 400 (73 percent) were small and medium-sized enterprises (SMEs) with fewer than 500 employees.

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

SME's generated almost one-sixth (15 percent) of Alaska'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.

Alaska Exported \$4.0 Billion Globally 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 Key Alaska Exports

Chemical Manufactures – An important export category for Alaska is chemical manufactures, which accounted for more than 4.4 percent, or \$176 million, of Alaska's total merchandise exports in 2006. Seventy-four percent of U.S. chemical exports to Peru will receive duty-free treatment immediately upon entry into force of the agreement, with the remaining tariffs phased out over 10 years. Tariffs on high value chemical products, including many resins, fertilizers, and soda ash will be phased out immediately. Current Peruvian tariffs on chemicals average 7 percent and can be as high as 12 percent.

Transportation Equipment – In dollar terms, Alaska's leading manufactured export growth category is transportation equipment. Export shipments of these products during the 2002-2006 period grew from \$28 million to \$98 million, an increase of \$69 million. Alaska's exporters of transportation equipment will benefit from U.S.-Peru TPA tariff reductions. Under the U.S.-Peru TPA, 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 new opportunity for Alaska exporters, who will no longer face tariffs that run as high as 12 percent. This will help Alaska companies take advantage of Peru's growing demand for transportation equipment.

Petroleum and Coal – Alaska's global exports of petroleum and coal products amounted to \$93 million in 2006. In dollar terms, petroleum and coal products is 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 Alaska's Exporters

In the first three years of the U.S.-Chile FTA (2004-2006), Alaska's exports to Chile have grown 396 percent and in the first three years of the U.S.-Singapore FTA the state's exports to Singapore have grown 114 percent. In addition, since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Alaska's combined exports to Canada and Mexico have increased by 629 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.