



Benefits from the U.S-Peru Trade Promotion Agreement

Arizona

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

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

Arizona Depends on World Markets

Arizona's export shipments of merchandise in 2006 totaled \$18.3 billion. Arizona ranked 17th among the 50 states in terms of total exports in 2006. Arizona exported globally to 200 foreign destinations in 2006.

Exports Support Jobs for Arizona's Workers

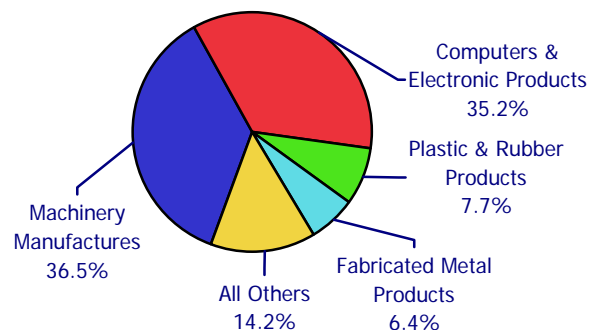
– In 2003, export-supported jobs linked to manufacturing accounted for an estimated 5.5 percent of Arizona's total private-sector employment. Almost one-quarter (24 percent) of all manufacturing workers in Arizona depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Arizona Businesses – A total of 4,575 companies exported from Arizona locations in 2005. Of those, 4,011 (88 percent) were small and medium-sized enterprises (SMEs) with fewer than 500 employees.

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

SMEs generated nearly one-fourth (24 percent) of Arizona'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.

Arizona Exported \$11.2 Billion 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 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 New Markets for Key Arizona Exports

Machinery Manufactures – Machinery manufactures were Arizona's top export category to Peru in 2006. Arizona companies exported \$4.1 million in machinery manufactures to Peru in 2006, a 70 percent increase over 2005. Arizona's exporters of machinery manufactures will benefit from U.S.-Peru TPA tariff reductions on these goods. 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 Arizona exporters, who will no longer face tariffs as high as 12 percent.

Computers and Electronic Products – The state's leading global export category is computers and electronic products, which alone accounted for 42 percent, or \$7.7 billion, of Arizona's 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 Arizona 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 these tariffs, U.S. exports will become much more competitive and affordable to Peruvians.

Transportation Equipment – The state's second leading global export category is transportation equipment, which alone accounted for 15 percent, or \$2.8 billion, of Arizona's total merchandise exports in 2006. Transportation equipment is also one of Arizona's fastest-growing export categories in dollar terms, with sales up \$561 million from 2002 to 2006. 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 competitive boost to Arizona's companies, who will no longer be facing tariffs that currently run as high as 12 percent.

Free Trade Works for Arizona's Exporters

Since the U.S.-Jordan FTA took effect in 2001, Arizona's annual exports to Jordan increased 49 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Arizona's combined exports to Canada and Mexico have increased by 199 percent and since the U.S.-Singapore FTA took effect in 2004 the state's exports to Singapore have jumped 144 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.