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

Maryland

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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 Maryland'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.

Maryland Depends on World Markets

Maryland's export shipments of merchandise in 2006 totaled $7.6 billion, up 70 percent from the 2002 total of $4.5 billion. This was the thirteenth largest percentage increase among the 50 states over that period. Maryland exported globally to 212 foreign destinations in 2006.

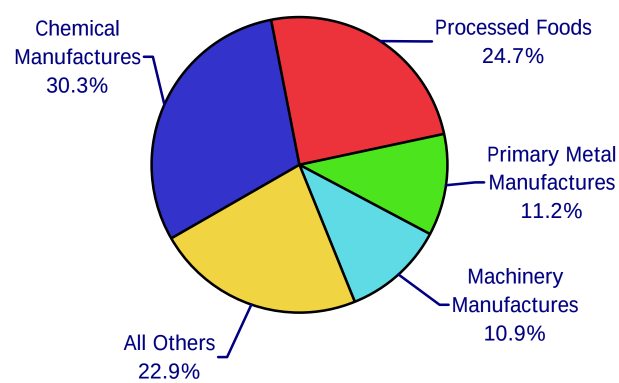
Exports Support Jobs for Maryland's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 2.1 percent of Maryland's total private-sector employment. Over one-eighth (12.8 percent) of all manufacturing workers in Maryland depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Maryland Businesses – A total of 3,644 companies exported goods from Maryland locations in 2005. Of those, 3,116 (86 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

Maryland Small and Medium-Sized Enterprises Will Benefit from U.S.-Peru TPA Provisions

SMEs generated nearly over one-quarter (27 percent) of Maryland'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.

Maryland Exported $14.5 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 Markets for Maryland's Exports

Chemical Manufactures – Maryland's leading export category is chemical manufactures, which accounted for 18 percent, or $1.4 billion, of the state's exports in 2006. Maryland's exports of these products jumped 98 percent from 2002 to 2006. Maryland'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-four 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 over 10 years. Tariffs on high-value chemical products, including many resins, fertilizers, and soda ash, will be phased out immediately.

Transportation Equipment – Another of Maryland's leading manufactured exports is transportation equipment, which accounted for $1.4 billion, or 18 percent, of the state's exports in 2006. Maryland's exports of transportation will benefit from 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 axels and railway parts will provide a competitive boost to Maryland's exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Maryland companies take advantage of Peru's growing demand for transportation equipment.

Computers and Electronic Products – In 2006, Maryland companies exported $1.2 billion in computers and electronic products worldwide, a 53 percent increase from 2002. The 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 Maryland exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon implementation of the Peru TPA. Peru is forging ahead in the digital age and ranks third in Latin America in terms of Internet connectivity. Best prospects in this sector include computers and computer parts, radio and television broadcasting apparatus, and software.

Free Trade Works for Maryland's Exporters

In the first three years of the U.S.-Chile FTA (2004-2006), Maryland's exports to Chile have grown 32 percent. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Maryland's combined exports to Canada and Mexico have grown by 49 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.