



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

New Jersey

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

The U.S.-Peru Trade Promotion Agreement (TPA) offers tremendous opportunities for New Jersey'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 Jersey Depends on World Markets

New Jersey's export shipments of merchandise in 2006 totaled \$27 billion, the 9th largest among the 50 states. This is a \$ 10 billion increase since 2002, the tenth largest dollar increase among the 50 states.

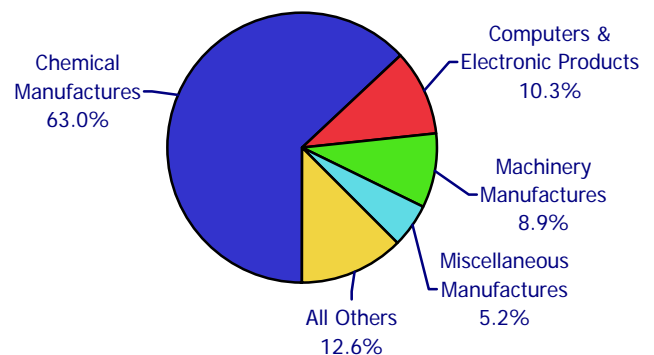
Exports Support Jobs for New Jersey's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 3.2 percent of New Jersey's total private-sector employment; nearly one-seventh (13.5 percent) of all manufacturing workers in New Jersey depended on manufactured exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of New Jersey Businesses – A total of 14,168 companies exported goods from New Jersey locations in 2005. Of those, 13,035 or 92 percent were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated more than one-third (37 percent) of New Jersey's total exports of merchandise in 2005, well above the national average of 29 percent. 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 Jersey Exported \$52.2 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 New Jersey's Exports

Chemical Manufactures – New Jersey's leading manufactured export category is chemical manufactures, which alone accounted for \$8.1 billion, or 30 percent of New Jersey's total export shipments in 2006. New Jersey's exporters of chemical and related products, including pharmaceuticals, cosmetics, fertilizer and agro-chemicals, plastics, and rubber, will benefit from the U.S.-Peru TPA's tariff reductions. Seventy-six 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 within 10 years. Tariffs on high value chemical products, including many resins, fertilizers, and soda ash, will be phased out immediately.

Computers and Electronic Products – New Jersey businesses exported \$2.8 billion in computers and electronic products 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 New Jersey 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.

Machinery Manufactures – New Jersey companies exported \$1.5 billion in machinery manufactures in 2006 and 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. 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.

Free Trade Works for New Jersey's Exporters

In the first five years (2002-2006) of the U.S.-Jordan FTA, New Jersey's exports to Jordan increased by 237 percent, from \$6.2 million to \$21 million. In the first three years of the U.S.-Chile FTA (2004-2006), the state's exports to Chile have jumped 267 percent and since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, New Jersey's exports to Canada and Mexico have grown by 152 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.