



INTERNATIONAL
TRADE
ADMINISTRATION

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

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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 Washington'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.

Washington Depends on World Markets

Washington's export shipments of merchandise in 2006 totaled \$53.1 billion. Washington ranked fourth among the 50 states in terms of 2006 exports. Washington exported to 207 foreign destinations in 2006.

Exports Support Jobs for Washington's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 9.4 percent of Washington's total private-sector employment, the highest share among the 50 states. More than two-fifths (41.3 percent, also the highest share) of all manufacturing workers in Washington depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Washington's Businesses – A total of 7,166 companies exported from Washington locations in 2005. Ninety percent (6,463) of exporting companies in 2005 were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

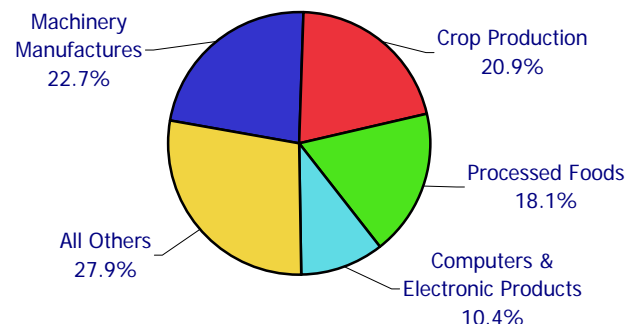
Washington's SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated one-fifth (20 percent) of Washington'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.

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.

Washington Exported \$23.6 Million in Goods to Peru in 2006



Source: International Trade Administration, U.S. Department of Commerce.

The U.S.-Peru TPA Opens New Markets for Washington's Exports

Transportation Equipment – The transportation equipment sector dominates the state's export profile and accounted for 63 percent (\$33.7 billion) of Washington's total merchandise exports in 2006. Aerospace products and parts are a critical Washington export. Peru is a growing market for U.S. aerospace products and parts, and Peru's regional airport projects and efforts to upgrade its air transportation system will provide new opportunities for U.S. aerospace product manufacturers. Tariffs on all U.S. aerospace exports, including high value products such as light aircraft, turbines, and other aircraft parts, will fall to zero immediately upon entry into force of the agreement. Peruvian tariffs currently range between 4 and 12 percent with an average of 5.4 percent, while U.S. tariffs on these products are zero.

Computer and Electronic Products – Another of Washington's top manufactured exports and a top export growth category in dollar terms was the computers and electronics sector. Washington's exports of computer and electronics products were \$3.1 billion in 2006, an increase of \$1.1 billion 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 Washington exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the 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.

Processed Foods – Washington exported \$1.6 billion in processed foods in 2006, making it another of Washington's top manufactured export sectors. The U.S.-Peru TPA, when it enters into force, will stimulate new opportunities for Washington's businesses in this sector. Peru is a growing market for consumer-oriented foods. Supermarkets are expanding, creating new opportunities for U.S. exports of snack foods, cheese, and juices. The U.S.-Peru TPA will enhance these opportunities by eliminating tariff and non-tariff barriers that currently hamper exports of U.S. food and consumer products to Peru. Many processed food products will receive immediate duty-free treatment including frozen french fries, cookies, snack foods, canned peaches and pears, mixed canned fruit, many juices, and some wines.

Food, beverages and consumer products currently face Peruvian import tariffs ranging from 12 to 25 percent.

The U.S.-Peru TPA Creates Opportunities for Washington's Agriculture

In 2006, Washington's agricultural exports to the world were estimated at \$2.2 billion. Despite high tariffs and other barriers on most agricultural products, including key Washington farm products such as fruits, dairy, and beef, U.S. exporters shipped more than \$209 million in U.S. farm products to Peru in 2006. In the free trade agreement, a primary U.S. objective was to change the "one-way street" of duty-free access currently enjoyed by most Peru exports into a "two-way street" that provides U.S. suppliers with access to these markets and levels the playing field with competitors. This objective was achieved.

For more information on agricultural exports and the U.S.-Peru TPA, see the fact sheets posted by the U.S. Department of Agriculture at:
<http://www.fas.usda.gov/itp/us-peru.asp>

Free Trade Works for Washington's Exporters

Since the entry into force of the U.S.-Chile FTA in 2004, Washington's exports to Chile have grown by \$579 million, or an incredible 1,999 percent. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Washington's combined exports to Canada and Mexico have grown by 255 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.