



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

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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 California'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.

California Depends on World Markets

California's export shipments of merchandise in 2006 totaled \$128 billion, ranking California second only to Texas (\$151 billion) among the states in terms of total exports in 2006. California exported globally to 224 foreign destinations in 2006.

Exports Support Jobs for California Workers

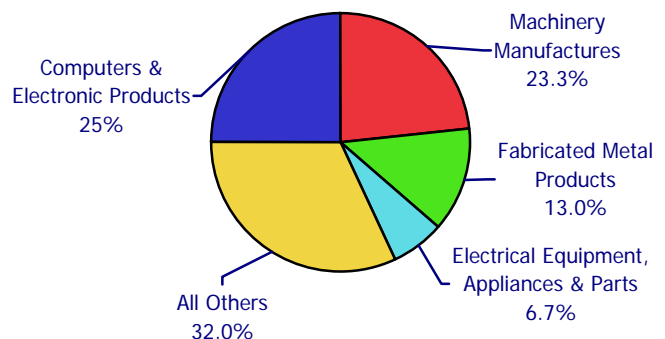
– In 2003, export-supported jobs linked to manufacturing accounted for an estimated 4.9 percent of California's total private-sector employment. Nearly one-fifth (18.4 percent) of all manufacturing workers in California depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of California Businesses – A total of 51,679 companies exported goods from California locations in 2005. Of those, 49,337 (95 percent) were small and medium-sized enterprises (SMEs) with fewer than 500 employees.

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

SMEs generated more than two-fifths (43 percent) of California's total exports of merchandise in 2005. This was well above the 29 percent export share for SMEs nationally. 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.

California Exported \$180.9 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 Peru TPA Opens New Markets for Key California Exports

Computers and Electronic Products –

Computer and electronic products were California's top export category globally in 2006. California companies exported \$44.5 billion worldwide 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 California-made computer and communications equipment, will receive duty-free treatment immediately upon entry into force of the U.S.-Peru TPA. With the immediate removal of most tariffs, California-made products will become much more competitive and affordable to Peruvians.

Machinery Manufactures – California's second leading export category in 2006 was machinery manufactures. Export shipments of this merchandise in 2006 totaled \$14.9 billion globally in 2006. California's exporters of machinery manufactures will benefit from U.S.-Peru TPA tariff reductions on these products. 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. The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to California companies, who will no longer face tariffs as high as 12 percent.

Transportation Equipment - Transportation equipment is also one of California's leading global export categories. California's global export shipments of these products rose by 90 percent during the 2002-2006 period, totaling \$13.5 billion in 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 Alabama companies, who will no longer be facing tariffs that currently run as high as 12 percent.

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

In 2006, California's agricultural exports to the world amounted to \$10.5 billion. Despite high tariffs and other barriers on most agricultural products, including California's key agricultural products such as dairy, fruits, tree nuts and vegetables, 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 for 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 California

In the first three years of the U.S.-Chile FTA (2004-2006), California's exports to Chile have grown 183 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, California's combined exports to Canada and Mexico have increased 162 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 U.S. Department of Commerce, International Trade Administration.