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

Colorado

www.export.gov/fta/peru/state **August 2007**

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

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

Colorado Depends on World Markets

Colorado's export shipments of merchandise in 2006 totaled $8.0 billion. This is an increase of 44 percent over the 2002 level of $5.5 billion. Colorado exported to 197 foreign destinations in 2006.

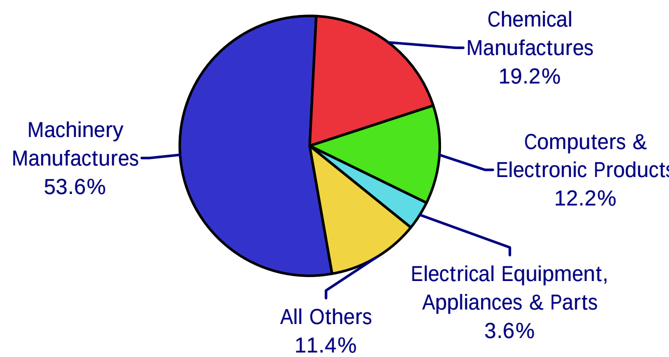
***Exports Support Jobs for Colorado Workers* –** In 2003, export-supported jobs linked to manufacturing account for an estimated 3.3 percent of Colorado's total private-sector employment. Nearly one-sixth (16.0 percent) of all manufacturing workers in Colorado depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Colorado Businesses – A total of 3,959 companies exported from Colorado locations in 2005. Of those, 3,459 (87 percent) were small and medium-sized enterprises (SMEs) with fewer than 500 employees.

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

SMEs generated one-quarter (25 percent) of Colorado's total exports of merchandise in 2005. SMEs particularly benefit from the tariff- eliminating provisions of free trade agreements, 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.

Colorado Exported $9.9 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 have no 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 Colorado Exports

Computers and Electronic Products – The state's leading export category in 2006, by far, was computers and electronic products, which alone accounted for 51 percent ($4.0 billion) of Colorado's total merchandise exports. The U.S.-Peru TPA improves market access for information technology goods and service providers. One hundred percent of exports of products covered by the Information Technology Agreement, including important Colorado exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the U.S.-Peru TPA. Best prospects in this sector include computers and computer parts, radio and television broadcasting apparatus, and software.

Machinery Manufactures – Colorado companies exported $721 million in machinery manufactures globally in 2006, making machinery manufactures Colorado's second leading global export category. Colorado'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 Colorado companies, who will no longer face tariffs as high as 12 percent.

Chemical Manufactures – Colorado companies exported $707 million in chemical products in 2006, making chemicals the state's third leading export category. Colorado'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-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. Current Peruvian chemical tariffs average 7 percent and can be as high as 12 percent.

Free Trade Works for Colorado's Exporters

In the first three years of the U.S.-Chile FTA (2004-2006), Colorado's exports to Chile have grown 115 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Colorado's combined exports to Canada and Mexico have increased 270 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.