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

Kentucky

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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 Kentucky'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.

Kentucky Depends on World Markets

Kentucky's export shipments of merchandise in 2006 totaled $17.2 billion, up $6.6 billion (62 percent) from the 2002 level of $10.6 billion. Kentucky ranked fourteenth among the states in terms of dollar increase in exports from 2002 to 2006. Kentucky exported to 186 foreign destinations in 2006.

Exports Support Jobs for Kentucky Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 5.3 percent of Kentucky's total private-sector employment. Almost one-sixth (15.9 percent) of all manufacturing workers in Kentucky depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Kentucky Businesses – A total of 2,853 companies exported goods from Kentucky locations in 2005. Of those, 2,184 (77 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

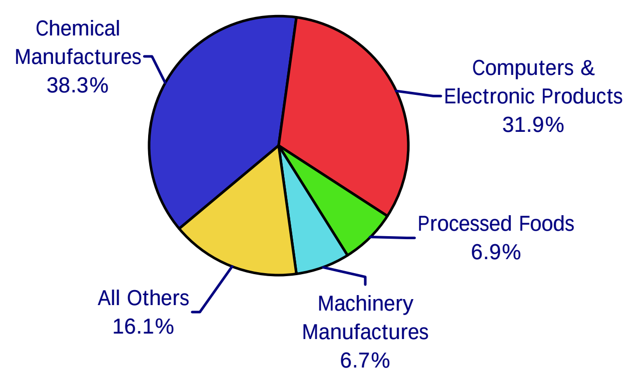
Kentucky SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated over one-sixth (17 percent) of Kentucky'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 Trading 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.

Kentucky Exported $16.3 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 Key Kentucky Exports

Transportation Equipment – In 2006, transportation equipment accounted for 39 percent, or $6.7 billion, of Kentucky's total merchandise exports. Kentucky's exports of transportation equipment will benefit from U.S.-Peru TPA tariff reductions, as 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 Kentucky exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Kentucky companies take advantage of Peru's growing demand for transportation equipment.

Chemical Manufactures – Kentucky companies exported $3.0 billion in chemical manufactures in 2006, up 69 percent from 2002. Kentucky'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

Machinery Manufactures – Kentucky companies exported $1.6 billion in machinery manufactures in 2006, a 93 percent increase from 2002. Kentucky exporters of machinery will benefit from Peru TPA tariff reductions. Eighty-nine percent of U.S. capital goods exports will be immediately duty-free upon implementation of the agreement. Better yet, 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 implementation of the agreement; remaining tariffs will be phased out within 10 years. The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to Kentucky exporters, who will no longer be facing tariffs that are as high as twelve percent.

The U.S.-Peru TPA Creates Opportunities for Kentucky Agriculture

In 2006, Kentucky's agricultural exports to the world amounted to $1.1 billion. Despite high tariffs and other barriers on most agricultural products, including top Kentucky exports such as beef and tobacco, U.S. exporters shipped more than $209 million in U.S. farm products to Peru in 2006. (2006 data are latest available.) 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

Trade Works for Kentucky's Exporters

In the first three years of the U.S.-Singapore FTA (2004-2006), Kentucky's exports to Singapore have grown 68 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Kentucky's combined exports to Canada and Mexico have increased 419 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.