



INTERNATIONAL
TRADE
ADMINISTRATION

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

Maine

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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 Maine'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.

Maine Depends on World Markets

Maine's export shipments of merchandise in 2006 totaled \$2.6 billion. This was a 33 percent (\$654 million) increase over the state's 2002 export levels. Maine exported to 166 foreign destinations in 2006.

Exports Support Jobs for Maine's Workers –

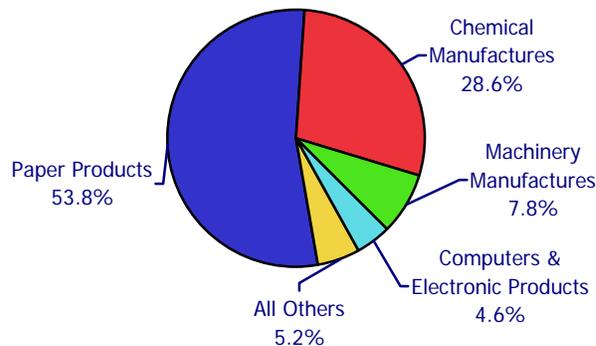
In 2003, export-supported jobs linked to manufacturing accounted for an estimated 3.1 percent of Maine's total private-sector employment. Nearly one-eighth (11.9 percent) of all manufacturing workers in Maine depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Over a Thousand Maine Businesses - A total of 1,340 companies exported goods from Maine locations in 2005. Of those, 1,146 (86 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated over half (58 percent) of Maine's total exports of merchandise in 2005, the second highest share among the states. 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.

Maine Exported \$2.1 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 Key Maine Exports

Computers and Electronic Products – Maine's leading export category is computers and electronic products, which accounted for 32 percent, or \$831 million, of Maine's total merchandise exports in 2006. The U.S.-Peru TPA improves market access for Maine's information technology goods and service providers. Almost all U.S. exports of products covered by the Information Technology Agreement, including important Maine 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. With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Peruvians.

Paper Products – Maine's exports of paper products amounted to \$572 million in 2006, up \$188 million during the 2002 to 2006 period. Maine's paper and paper products producers will benefit from the immediate elimination of Peruvian tariffs on 86 percent of U.S. paper products. Peruvian tariffs in this sector currently average 9.7 percent. The top U.S. exports to Peru in this sector included graphics paper and paperboard, chemical woodpulp, kraftliner, and newsprint.

Chemical Manufactures – Maine's exports of chemical manufactures totaled \$91 million in 2006. Maine's exporters of chemical 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-four 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 over 10 years. Tariffs on high value chemical products, including many resins, fertilizers, and soda ash, will be phased out immediately.

Transportation Equipment– Transportation equipment is an important export commodity for Maine. In 2006, Maine exported \$122 million in transportation equipment, up 21 percent from 2002. Maine's exports of transportation will benefit from U.S.-Peru TPA tariff reductions. For transportation equipment, 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 Maine exporters, who will no longer be facing tariffs that are as high as 12 percent.

Free Trade Works for Maine's Exporters

In the first three years (2004–2006) of the U.S.-Chile FTA, Maine's exports to Chile increased by 46 percent, from \$1.9 million to \$2.7 million. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Maine's exports to Canada and Mexico have grown by 151 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.