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

Michigan

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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 Michigan'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.

Michigan Depends on World Markets

Michigan's export shipments of merchandise in 2006 totaled $40.4 billion, placing Michigan sixth among the states in this category. From 2002 to 2006, merchandise exports from Michigan increased $6.6 billion (20 percent).

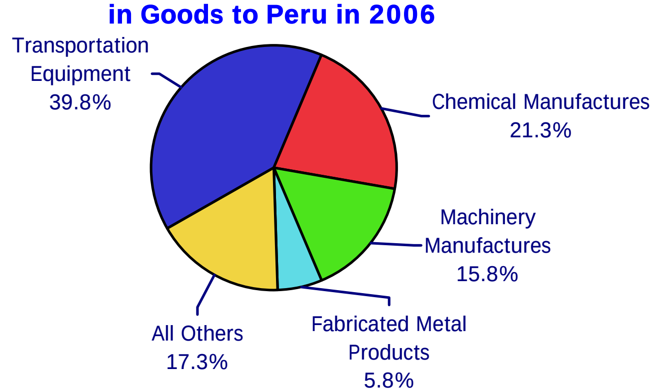
Exports Support Jobs for Michigan's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 5.6 percent of Michigan's total private-sector employment; over one-fifth (20.2 percent) of all manufacturing workers in Michigan depended on manufactured exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Michigan Businesses – A total of 10,134 companies exported goods from Michigan locations in 2005. Of those, 9,066 (89 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated 13 percent of Michigan'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.

Michigan Exported $13.1 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 U.S. 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 Markets for Michigan's Exports

Transportation Equipment – Michigan's leading export category, by far, is transportation equipment, which alone accounted for 52 percent, or $21.2 billion, of Michigan's exports in 2006. Michigan's exports of transportation equipment 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 Michigan exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Michigan companies take advantage of Peru's growing demand for transportation equipment.

Chemical Manufactures – Michigan exported $3.2 billion in chemical manufactured products in 2006. Michigan's exporters of chemicals and related products, including pharmaceuticals, cosmetics, fertilizer 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.

Machinery Manufactures – Michigan exported $4.1 billion in machinery manufactures in 2006, an increase of $469 million since 2002. 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; remaining tariffs will be phased out within 10 years.

Free Trade Works for Michigan's Exporters

In the first five years (2002–2006) of the U.S.-Jordan FTA, Michigan's exports to Jordan increased by 384 percent, from $3.3 million to $16 million and since the U.S.-Singapore FTA took effect in 2004, the state's exports to Singapore have grown 86 percent. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Michigan's combined exports to Canada and Mexico have grown by 58 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.