



INTERNATIONAL
TRADE
ADMINISTRATION

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

North Carolina 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 North Carolina'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.

North Carolina Depends on World Markets

North Carolina's export shipments of merchandise in 2006 totaled \$21.2 billion. North Carolina was the 15th largest exporter among the 50 states in 2006. North Carolina's exports to the world increased by 44 percent from 2002 to 2006.

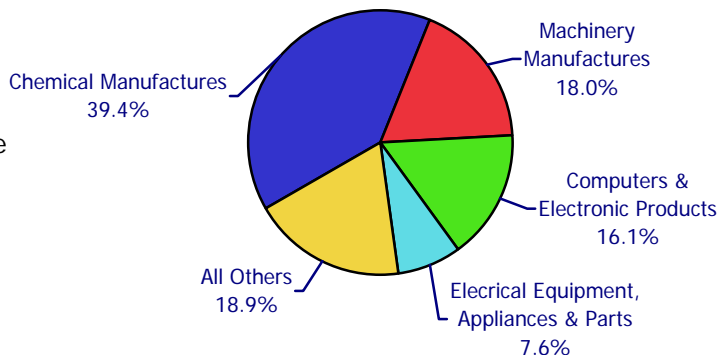
Exports Support Jobs for North Carolina's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 5.1 percent of North Carolina's total private-sector employment; nearly one-sixth (15.9 percent) of all manufacturing workers in North Carolina depended on manufactured exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of North Carolina Businesses – A total of 6,876 companies exported goods from North Carolina locations in 2005. Of those, 85 percent, or 5,875 firms, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated more than one-fifth (22 percent) of North Carolina'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.

North Carolina Exported \$29,3 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 Markets for North Carolina's Exports

Chemical Manufactures – North Carolina's leading manufactured export category is chemical manufactures, which alone accounted for \$3.5 billion, or 17 percent, of the state's total export shipments in 2006. North Carolina'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-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.

Computers and Electronic Products – North Carolina businesses exported more than \$2.8 billion in computers and electronic products in 2006 and will benefit from U.S.-Peru TPA tariff reductions. Almost all U.S. exports of products covered by the Information Technology Agreement, including important North Carolina 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.

Machinery Manufactures – Machinery manufactures are another important export commodity for North Carolina. North Carolina exported \$2.6 billion in machinery manufactures in 2006. 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 North Carolina's Exporters

In the first three years (2004-2006) of the U.S.-Chile FTA, North Carolina's exports to Chile increased by 41 percent, from \$49 million to \$69 million. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, North Carolina's exports to Canada and Mexico have grown by 142 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.