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

Ohio

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 Ohio'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. 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.

Ohio Depends on World Markets

Ohio's export shipments of merchandise in 2006 totaled $37.8 billion, up 36 percent from 2002. Ohio recorded the eighth largest export total of all 50 states in 2006. Ohio's increase in exports of $10.1 billion from 2002 to 2006 was the ninth largest among the 50 states.

Exports Support Jobs for Ohio's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 6.1 percent (tied for the seventh highest share among the 50 states) of Ohio's total private-sector employment; more than one-fifth (20.6 percent) of all manufacturing workers in Ohio depended on exports for their jobs. (2003 are the latest data available.)

Exports Sustain Thousands of Ohio's Businesses – A total of 11,114 companies exported from Ohio locations in 2005. Of these, 89 percent (9,847 firms) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

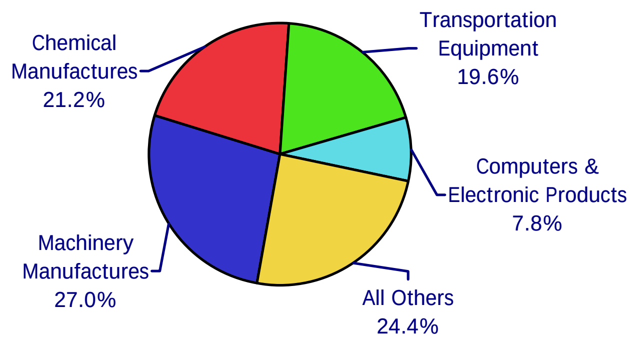
Ohio's SMEs Will Benefit from Peru TPA Provisions

SMEs generated over one-fifth (23 percent) of Ohio'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 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.

Ohio Exported $56.3 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 Ohio's Exports

Transportation Equipment – The state's leading manufactured export category in dollar terms is transportation equipment, which accounted for $13 billion (34 percent) of Ohio's total merchandise exports in 2006. Ohio'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 Ohio's exporters, who will no longer be facing tariffs that are as high as 12 percent.

Machinery Manufactures – Machinery manufactures were Ohio's second leading manufactured export category in 2006 and also one in which the state has experienced significant export growth. Ohio exported $5.3 billion in machinery manufactures in 2006, an increase of $1.6 billion from 2002. Ohio's exports of machinery will benefit from U.S-Peru TPA tariff reductions. 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. The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to Ohio's exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Ohio's companies take advantage of Peru's growing demand for industrial machinery.

Chemical Manufactures – Ohio's third largest manufactured export category in 2006 was chemical manufactures. Ohio exported $4.7 billion in chemical products in 2006. Chemical manufactures were also a significant manufactured export growth category for the state, increasing by $2.2 billion from 2002 to 2006. Ohio'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. Current Peruvian chemical tariffs average 7 percent and can be as high as 12 percent.

Peru TPA Creates Opportunities for Ohio's Agriculture

In 2006, Ohio's agricultural exports to the world were estimated at $1.7 billion. Despite high tariffs and other barriers on most agricultural products, including key Ohio farm products such as soybeans, corn, and dairy, U.S. exporters shipped more than $209 million in U.S. farm products to Peru in 2006. 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 with 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

Free Trade Works for Ohio's Exporters

Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Ohio's combined exports to Canada and Mexico have grown by 141 percent. Ohio's exports to Chile have grown by 55 percent since the entry into force of the U.S.-Chile FTA in 2004. Subsequent to the entry into force of both the U.S.-Jordan agreement in 2001 and U.S.-Singapore agreement in 2004, Ohio's exports to those countries have risen by 551 and 99 percent respectively.

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.