



INTERNATIONAL
TRADE
ADMINISTRATION

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

South Carolina

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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 South Carolina'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.

South Carolina Depends on World Markets

South Carolina's global export shipments of merchandise in 2006 totaled \$13.6 billion. The state's exports to the world increased \$4.0 billion, or 41 percent, from 2002 to 2006.

Exports Support Jobs for South Carolina's Workers – Export-supported jobs linked to manufacturing accounted for an estimated 8.6 percent (the second highest share among the 50 states) of South Carolina's total private-sector employment. Almost one-fourth (23.6 percent) of all manufacturing workers in South Carolina depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of South Carolina's Businesses – A total of 3,127 companies exported goods from South Carolina locations in 2005. Of those, 2,545, or 81 percent, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

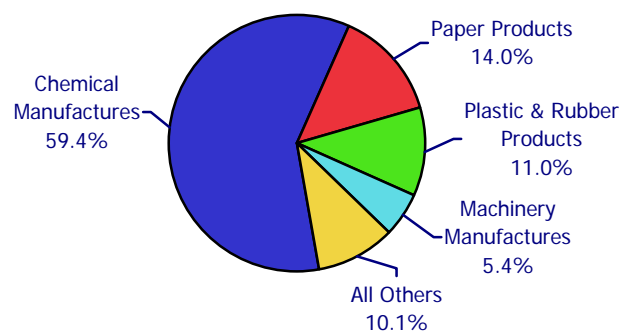
South Carolina's Small and Medium-Sized Enterprises Will Benefit from U.S.-Peru TPA Provisions

SMEs generated almost one-sixth (16 percent) of South 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.

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.

South Carolina Exported \$57.9 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 South Carolina's Exports

Transportation Equipment Manufactures - South Carolina's leading manufactured export category is transportation equipment, which alone accounted for \$3.4 billion, or 25 percent, of South Carolina's total export shipments in 2006. South Carolina'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 South Carolina's exporters, who will no longer be facing tariffs that are as high as 12 percent.

Chemical Manufactures – South Carolina's second-largest manufactured export category, and also one that has experienced significant growth, is chemical manufactures. South Carolina exported \$2.1 billion in chemical manufactures in 2006, an increase of \$412 million from 2002. South Carolina'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.

Computers and Electronic Products – Another top South Carolina manufactured export category that has experienced significant growth is computers and electronic products. South Carolina's exports of computers and electronics products were \$1.2 billion in 2006, an increase of \$635 million from 2002. The U.S.-Peru TPA improves market access for information technology goods and service providers. Almost all U.S. exports of products covered by the Information Technology Agreement, including important South 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. Best prospects in this sector include computers and computer parts, radio and television broadcasting apparatus, and software.

The U.S.-Peru TPA Creates Opportunities for South Carolina's Agriculture

In 2006, South Carolina's agricultural exports to the world were estimated at \$482 million. Despite high tariffs and other barriers on most agricultural products, including key South Carolina farm products such as poultry, soybeans, and wheat, 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 South Carolina's Exporters

Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, South Carolina's combined exports to Canada and Mexico have grown by 264 percent. Since the U.S.-Chile FTA entered into force in 2004, South Carolina's exports to Chile have grown by 162 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.