



INTERNATIONAL
TRADE
ADMINISTRATION

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

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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 West Virginia'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.

West Virginia Depends on World Markets

West Virginia's export shipments of merchandise in 2006 totaled \$3.2 billion, a 44 percent increase over the 2002 total of \$2.2 billion. West Virginia exported to 132 foreign destinations in 2006.

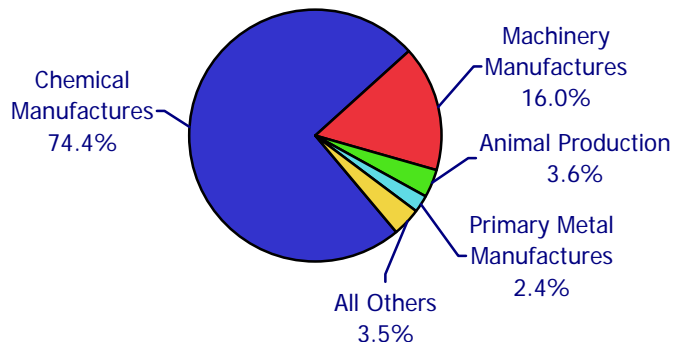
Exports Support Jobs for West Virginia's Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 3.4 percent of West Virginia's total private-sector employment. Nearly one-seventh (14.1 percent) of all manufacturing workers in West Virginia depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Many West Virginia Businesses – A total of 846 companies exported goods from West Virginia locations in 2005. Of those, 598 (71 percent) were small and medium-sized enterprises, with fewer than 500 employees.

West Virginia's SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated 12 percent of West Virginia'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.

West Virginia Exported \$2.5 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 West Virginia's Exports

Chemical Manufactures – West Virginia's leading manufactured export category in dollar terms is chemical manufactures, which accounted for \$1.3 billion (42 percent) of West Virginia's total merchandise exports in 2006. Export shipments of these products grew by \$295 million from 2002 to 2006. West Virginia'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. Over the past five years, U.S. exporters of basic chemicals (up \$93 million) and resin, synthetic rubber, synthetic fibers and filaments (up \$89 million) have seen strong export growth to Peru.

Transportation Equipment – The transportation equipment sector was another top manufacturing export growth category in dollar terms for West Virginia, with exports growing by \$108 million from 2002 to 2006 to a total of \$338 million. West Virginia'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 West Virginia's exporters, who will no longer be facing tariffs that are as high as 12 percent.

Machinery Manufactures – In 2006 West Virginia exported \$289 million in machinery manufactures, a 46 percent increase over 2002 exports. West Virginia's exports of machinery will benefit from Peru TPA tariff reductions. Eighty-nine percent of U.S. capital goods exports will be immediately duty-free upon implementation of the agreement. Better yet, 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 implementation 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 West Virginia exporters, who will no longer be facing tariffs that are as high as twelve percent. This will help state companies take advantage of Peru's growing demand for industrial machinery.

Free Trade Works for West Virginia's Exporters

Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, West Virginia's combined exports to Canada and Mexico grew by 260 percent. West Virginia's largest market in 2006 was Canada, which received \$923 million of West Virginia's goods exports.

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.