



INTERNATIONAL
TRADE
ADMINISTRATION

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

Alabama

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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 Alabama's exporters. When the Agreement takes effect, 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. Peru's 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 current U.S. agricultural 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.

Alabama Depends on World Markets

Alabama's export shipments of merchandise in 2006 totaled \$13.9 billion, up 68 percent (\$5.6 billion) from 2002. By comparison, total U.S. merchandise exports rose 50 percent from 2002 to 2006. Alabama ranked 14th among the states in terms of percentage export growth from 2002 to 2006.

Exports Support Jobs for Alabama's Workers

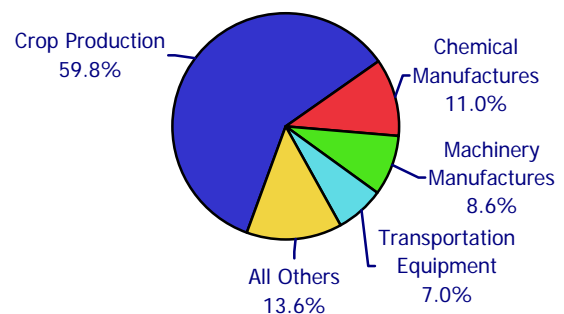
– In 2003, export-supported jobs linked to manufacturing accounted for an estimated 5.7 percent of Alabama's total private-sector employment; roughly one-seventh (15 percent) of all manufacturing workers in Alabama depended on manufactured exports for their jobs. (2003 data latest available.)

Exports Sustain Thousands of Alabama Businesses – A total of 2,414 companies exported from Alabama locations in 2005. Of those, 1,929 (80 percent) were small and medium-sized enterprises (SMEs) with fewer than 500 employees.

Alabama SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated over one-sixth (17 percent) of Alabama'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.

Alabama Exported \$33.5 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 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 New Markets for Key Alabama Exports

Transportation Equipment – The state's leading export category is transportation equipment, which alone accounted for 39 percent, or \$5.4 billion, of Alabama's total merchandise exports in 2006. Transportation equipment is also Alabama's fastest-growing export in dollar terms, with sales up \$3 billion from 2002 to 2006. Under the U.S.-Peru TPA, 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 Alabama companies, who will no longer be facing tariffs that currently run as high as 12 percent.

Chemical Manufactures – Another top Alabama export to the Peruvian market is chemical manufactures, which accounted for sales of \$3.7 million in 2006. Alabama'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-four 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 over 10 years.

Machinery Manufactures – Alabama companies exported \$2.9 million in machinery manufactures to Peru in 2006 and will benefit from U.S.-Peru TPA tariff reductions on these goods. 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 over 10 years.

The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to Arizona exporters, who will no longer face tariffs as high as 12 percent.

The U.S.-Peru TPA Creates Opportunities for Alabama Agriculture

Alabama is also a major exporter of agriculture and livestock products. In 2006, Alabama's agricultural exports to the world amounted to \$572 million. Despite high tariffs and other barriers on most agricultural products, including key Alabama farm products, 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 for 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 Alabama's Exporters

In the first three years of the U.S.-Chile FTA (2004-2006), Alabama's exports to Chile have grown 90 percent and since the U.S.-Jordan FTA took effect in 2001, Alabama's exports to Jordan have jumped 200 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Alabama's combined exports to Canada and Mexico have increased 239 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.