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

Arkansas

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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 Arkansas' 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. 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.

Arkansas Depends on World Markets

Arkansas' global export shipments of merchandise in 2006 totaled $4.3 billion, an increase of 52 percent, or $1.5 billion, over the 2002 value of $2.8 billion. By comparison, total U.S. merchandise exports rose 50 percent over this period.

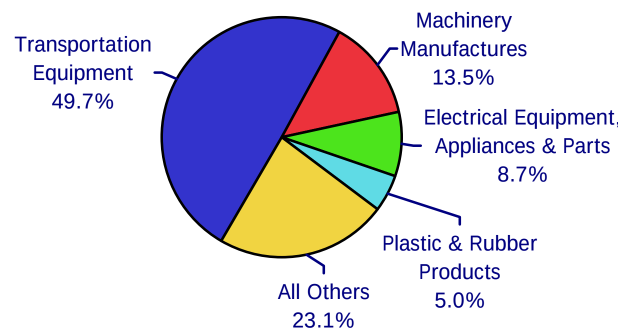
Exports Support Jobs for Arkansas' Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 4.3 percent of total private-sector employment in Arkansas. Nearly one-tenth (9.5 percent) of all manufacturing workers in Arkansas depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain More than a Thousand Arkansas Businesses – A total of 1,396 companies exported goods from Arkansas locations in 2005. Of those, 1,056 (76 percent) were small and medium-sized enterprises (SMEs) with fewer than 500 employees.

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

SMEs generated nearly one-fifth (19 percent) of Arkansas' 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.

Arkansas Exported $12.7 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 imports into 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 Relation 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 Arkansas Exports

Machinery Manufactures – In 2006, Arkansas companies exported $464 million in machinery manufactures globally and 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 over 10 years. The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to Arkansas exporters, who will no longer face tariffs as high as 12 percent.

Chemical Manufactures – Chemical manufacturers are the state's second leading global export category, with export shipments of these products totaling $470 million in 2006, a 32 percent increase from 2002. Arkansas 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.

Transportation Equipment – The state's leading export category is transportation equipment, which alone accounted for 28 percent, or $1.2 billion, of Arkansas's total merchandise exports in 2006. Arkansas companies will benefit from U.S.-Peru TPA tariff reductions. 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 Arkansas exporters, who will no longer be facing tariffs that currently run as high as 12 percent. This will help Arkansas companies take advantage of Peru's growing demand for transportation equipment.

Free Trade Works for Arkansas Exporters

Since the U.S.-Jordan FTA took effect in 2001, Arkansas' exports to Jordan have grown over 2,000 percent. In the first three years of the U.S.-Chile agreement (2004-2006), the state's exports to Chile have jumped 186 percent and since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Arkansas' combined exports to Canada and Mexico have increased 199 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.