



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

The U.S.-Peru Trade Promotion Agreement Provides Enhanced Market Access

The U.S.-Peru Trade Promotion Agreement (TPA) offers tremendous opportunities for Connecticut'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. 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.

Connecticut Depends on World Markets

Connecticut's export shipments of merchandise in 2006 totaled \$12.2 billion, up \$3.9 billion (47 percent) since 2002. Connecticut exported to 193 foreign destinations in 2006.

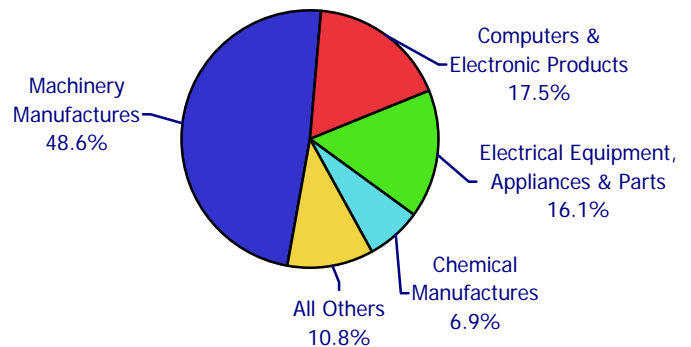
Exports Support Jobs for Connecticut Workers – In 2003, export-supported jobs linked to manufacturing accounted for an estimated 5.0 percent of Connecticut's total private-sector employment. Nearly one-fourth (22.5 percent) of all manufacturing workers in Connecticut depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Connecticut Businesses – A total of 4,632 companies exported from Connecticut locations in 2005. Of those, 4,126 (89 percent) were small and medium-sized enterprises (SMEs) with fewer than 500 employees.

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

SMEs generated over one-quarter (26 percent) of Connecticut'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.

Connecticut Exported \$9.5 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 Key Connecticut Exports

Transportation Equipment – Transportation equipment accounted for 44 percent (\$5.3 billion) of Connecticut's merchandise exports in 2006, making it the state's leading export category by far. Under the U.S.-Peru TPA, 74 percent of U.S. industrial goods exports will be immediately duty-free upon entry into force. The elimination of Peruvian tariffs on equipment such as trailers, semi-trailers, truck axles, and railway parts will provide a competitive boost to Connecticut exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Connecticut companies take advantage of Peru's growing demand for transportation equipment.

Machinery Manufactures – Connecticut companies exported \$1.4 billion in machinery manufactures worldwide in 2006. Connecticut's exporters of machinery manufactures will benefit from U.S.-Peru TPA tariff reductions on these products. 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. The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to Connecticut companies, who will no longer face tariffs as high as 12 percent.

Computers and Electronic Products –

Connecticut companies exported \$1.1 billion in computers and electronic products worldwide in 2006. The U.S.-Peru TPA improves market access for Connecticut's information technology goods and service providers. One hundred percent of exports of products covered by the Information Technology Agreement, including important Colorado exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the U.S.-Peru TPA. Best prospects in this sector include computers and computer parts, radio and television broadcasting apparatus, and software.

Free Trade Works for Connecticut's Exporters

Since the U.S.-Jordan FTA took effect in 2001, Connecticut's export sales to Jordan have grown 208 percent. In the first three years of the U.S.-Singapore FTA (2004-2006), the state's exports to Singapore have grown 92 percent and since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Connecticut's combined exports to Canada and Mexico have increased 57 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.