



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

Hawaii

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

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

Hawaii Depends on World Markets

Hawaii's export shipments of merchandise in 2006 totaled \$706 million, up from \$514 million in 2002. Hawaii exported to 98 foreign countries and territories in 2006.

Exports Support Jobs for Hawaii Workers –

In 2003, Export-supported jobs linked to manufacturing accounted for an estimated 0.9 percent of Hawaii's total private-sector employment. Approximately 5.2 percent of all manufacturing workers in Hawaii depend on exports for their jobs. (2003 data are the latest available.)

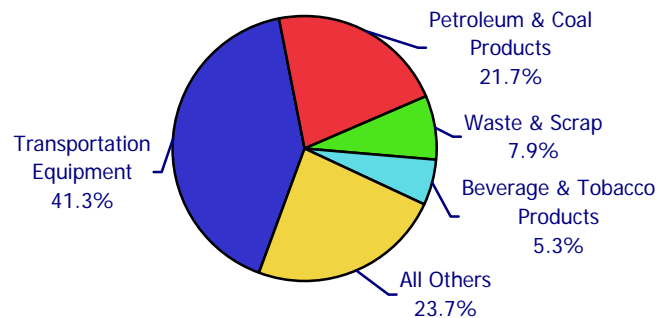
Exports Sustain Many Hawaii Businesses –

A total of 649 companies exported from Hawaii locations in 2005. Eighty-eight percent of these companies (568), or more than four-fifths, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

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

SMEs generated over half (55 percent) of Hawaii's total exports of merchandise in 2005. This is well above the national SME share of total exports of 29 percent. 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.

Hawaii Exported \$705.7 Million in Goods to the World in 2006



Source: International Trade Administration, U.S. Department of Commerce.

The U.S.-Peru TPA Moves the Trading 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 have no 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 Hawaii Exports

Transportation Equipment – In 2006, Hawaii's leading export product was transportation equipment, with foreign sales of \$292 million. Hawaii's exporters of transportation equipment will benefit from U.S.-Peru TPA tariff reductions, as 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 Hawaiian companies, who will no longer face tariffs as high as 12 percent.

Petroleum and Coal Products – Hawaiian companies exported \$153 million in petroleum and coal products in 2006. In dollar terms, a leading growth category among U.S. manufactured exports to Peru is petroleum and coal products. U.S. exports of these products to Peru surged between 2002-2006, growing from \$54 million to \$282 million. The U.S.-Peru TPA will eliminate duties on key products such as anthracite coal. Currently, Peruvian tariffs in this sector range as high as 12 percent.

Processed Foods – In 2006, Hawaiian companies exported \$31 million in processed foods. The U.S.-Peru TPA, upon entry into force, will stimulate new opportunities for Hawaiian businesses in this sector. Peru is a growing market for consumer-oriented foods, creating new opportunities for U.S. exports of snack foods, cheese, and juices.

The U.S.-Peru TPA will eliminate tariff and non-tariff barriers that currently hamper exports of U.S. food and consumer products to Peru. Processed foods that will receive immediate duty-free treatment include frozen french fries, cookies, snack foods, canned peaches and pears, mixed canned fruit, many juices, and some wines.

Food, beverages, and consumer products currently face Peruvian import tariffs ranging from 12 to 25 percent.

The Peru TPA Creates Opportunities for Hawaii's Agriculture

In 2006, Hawaii's agricultural exports to the world amounted to \$96 million. Despite high tariffs and other barriers on most agricultural products, including key Hawaii agricultural 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>

Trade Works for Hawaii's Exporters

Since the U.S.-Jordan FTA took effect in 2001, Hawaii's exports to Jordan have grown 109 percent. In the first three years of the U.S.-Chile FTA (2004–2006), Hawaii's exports to Chile have increased 2,728 percent. Hawaii has also seen significant export growth (4,052 percent) to Singapore since that FTA took effect in 2004.

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.