



INTERNATIONAL
TRADE
ADMINISTRATION

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

Rhode Island

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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 Rhode Island'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.

Rhode Island's Depends on World Markets

Rhode Island's export shipments of merchandise in 2006 totaled \$1.5 billion. Rhode Island's exports have grown 37 percent between 2002-2006. Rhode Island exported to 147 foreign countries and territories in 2006.

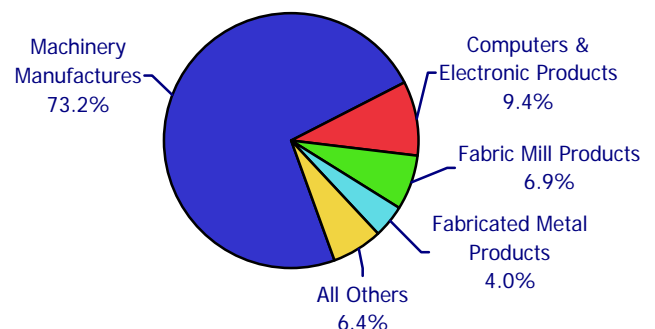
Exports Support Jobs for Rhode Island's Workers – Export-supported jobs linked to manufacturing accounted for an estimated 3.4 percent of Rhode Island's total private-sector employment. One-seventh (14.3 percent) of all manufacturing workers in Rhode Island depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Rhode Island's Businesses – A total of 1,335 companies exported goods from Rhode Island locations in 2005. Of those, 1,167 (87 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

Rhode Island's Small and Medium-Sized Enterprises Will Benefit from U.S.-Peru TPA Provisions

SMEs generated 47 percent of Rhode Island's total exports of merchandise in 2005, the sixth largest share among the states, and well above the national average 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.

Rhode Island Exported \$2.4 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 Rhode Island's Exports

Computers and Electronic Products – One of Rhode Island's leading manufactured export categories is computers and electronic products, which alone accounted for \$178 million, or 12 percent of the state's total export shipments in 2006. The U.S.-Peru TPA improves market access for information technology goods and service providers. Almost all U.S. exports of products covered by the Information Technology Agreement, including important Rhode Island exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the U.S.-Peru TPA. Peru is forging ahead in the digital age and ranks third in Latin America in terms of Internet connectivity. With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Peruvians.

Machinery Manufacturers – Another of Rhode Island's leading manufactured export categories is machinery manufactures, which accounted for \$173 million, or 11 percent, of Rhode Island's total export shipments in 2006. Rhode Island's exports of machinery 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 within 10 years. The elimination of Peruvian tariffs on such high-value equipment will provide a competitive boost to Rhode Island's exporters, who will no longer be facing tariffs that are as high as 12 percent. This will help Rhode Island's companies take advantage of Peru's growing demand for industrial machinery.

Chemical Manufactures – Chemical manufactures were also a significant manufactured export category for Rhode Island in 2006. Rhode Island exported \$137 million worth of chemical manufactures in 2006. Rhode Island'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-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.

Free Trade Works for Rhode Island's Exporters

Since the North American Free Trade Agreement's entry into force in 1994, Rhode Island's exports to Canada and Mexico have grown by 98 percent. Since entry into force of the Australia Free Trade Agreement in 2005, Rhode Island exports to Australia grew 28 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.