INTERNATIONAL TRADE ADMINISTRATION

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

Virginia

www.export.gov/fta/peru/state **August 2007**

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

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

Virginia Depends on World Markets

Virginia's export shipments of merchandise in 2006 totaled $14.1 billion. Virginia exported to 202 foreign destinations in 2006.

Exports Support Jobs for Virginia's Workers – In 2003, jobs linked to manufacturing accounted for an estimated 3.5 percent of Virginia's total private-sector employment. Nearly one-sixth (16.1 percent) of all manufacturing workers in Virginia depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Virginia's Businesses – A total of 3,944 companies exported goods from Virginia locations in 2005. Of those, 3,252 (82 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

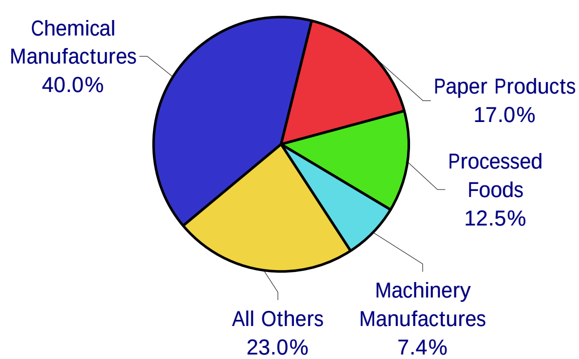
Virginia's SMEs Will Benefit from U.S.-Peru TPA Provisions

SMEs generated one-fifth (20 percent) of Virginia'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.

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.

Virginia Exported $21.2 Million in Goods to Peru in 2006



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

The U.S.-Peru TPA Opens New Markets for Virginia's Exports

Computers and Electronic Equipment – The state's leading manufactured export category in dollar terms is the computer and electronics sector. Virginia's exports of computers and electronics were $2.6 billion in 2006 a 68 percent increase over 2002 exports. 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 Virginia exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the 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. Best prospects in this sector include computers and computer parts, radio and television broadcasting apparatus, and software.

Transportation Equipment– Another of Virginia's top manufactured export categories is transportation equipment, which accounted for $2 billion (14 percent) of Virginia's total merchandise exports in 2006. It is also Virginia's second fastest growing manufactured export category in dollar terms—increasing by $917 million from 2002 to 2006. For transportation equipment, 74 percent of U.S. industrial goods exports will be immediately duty-free upon entry into force of the U.S.-Peru TPA. The elimination of Peruvian tariffs on equipment such as trailers, semi-trailers, truck axles, and railway parts will provide a competitive boost to Virginia's exporters, who will no longer be facing tariffs that are as high as 12 percent.

Chemical Manufactures – Virginia's third largest manufactured export category in 2006 was chemical manufactures. Virginia exported $1.7 billion in chemical products in 2006. Virginia's exporters of chemical 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. Over the past five years, U.S. exporters of basic chemicals (up $93 million) and resin, synthetic rubber, synthetic fibers and filaments (up $89 million) have seen strong export growth to Peru.

The U.S.-Peru TPA Creates Opportunities for Virginia's Agriculture

In 2006, Virginia's agricultural exports to the world were estimated at $588 million. Despite high tariffs and other barriers on most agricultural products, including key Virginia farm products such as poultry, beef, and wheat, 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 with 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 Virginia's Exporters

The state's largest market in 2006 was North American Free Trade Agreement (NAFTA) member Canada, which received $2.6 billion of Virginia's exports. Since NAFTA's entry into force in 1994, Virginia's combined exports to Canada and Mexico have grown by 154 percent. Since the entry into force of the U.S.-Chile FTA in 2004, Virginia's exports to Chile have nearly doubled (up 99 percent) and since the entry into force of the U.S.-Singapore agreement in 2004, Virginia's exports to Singapore have risen by 364 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.