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

Louisiana

www.export.gov/fta/colombia/state **March 2008**

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

The U.S.-Colombia Trade Promotion Agreement (TPA) offers tremendous opportunities for Louisiana's exporters. When the Agreement enters into force, 80 percent of U.S. consumer and industrial exports to Colombia, 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 77 percent of current U.S. agriculture 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. Colombia will phase out all other agricultural tariffs within 19 years.

Louisiana Depends on World Markets

Louisiana's export shipments of goods in 2007 totaled $30.4 billion. Louisiana ranked 10th among the states in terms of total exports in 2007. Louisiana increased its merchandise exports $12 billion (65 percent) from 2003 to 2007

Louisiana exported $857 million in merchandise to Colombia in 2007. Louisiana ranked third among the 50 states in exports to Colombia that year.

Exports Support Jobs for Louisiana's Workers – Export-supported jobs linked to manufacturing account for an estimated 5.6 percent of Louisiana's total private-sector employment. Over one-seventh (14.7 percent) of all manufacturing workers in Louisiana depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Thousands of Louisiana's Businesses– A total of 2,292 companies exported goods from Louisiana locations in 2005. Of those, 1,936 (84 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

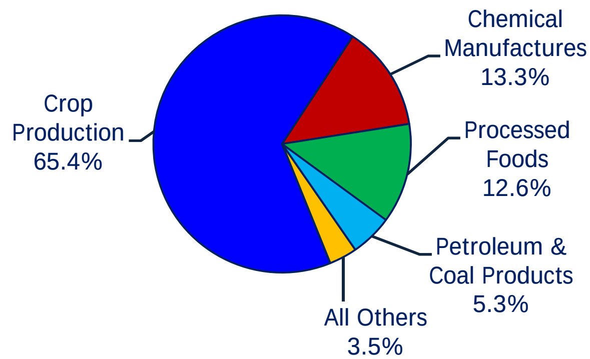
Louisiana's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated over one-third (37 percent) of Louisiana'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.-Colombia 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.-Colombia TPA Moves the Trade Relationship from One-Way Preferences to Reciprocity

In 2007, 91 percent of U.S. imports from Colombia entered duty-free either on a Normal Trade Relations basis or under unilateral U.S. trade preference programs such as the Andean Trade Preference Act and the Generalized System of Preferences. Because of high tariffs, U.S. exporters do not have equivalent access to the Colombian market. The U.S.-Colombia TPA levels the playing field and enhances competition because it moves the U.S.-Colombia commercial relationship beyond one-way preferences to full partnership and reciprocal commitments.

Louisiana Exported $ 856.7 Million in Goods to Colombia in 2007



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

The U.S.-Colombia TPA Opens New Markets for Louisiana's Exports

Chemical Manufactures – In 2007, Louisiana's leading manufactured export to Colombia was chemical manufactures, which accounted for $114 million, or 13 percent, of Louisiana's merchandise exports to Colombia that year. Louisiana's exporters of chemical and related products, including pharmaceuticals, cosmetics, fertilizers, and agro-chemicals, will benefit from U.S.-Colombia TPA tariff reductions. Eighty-two percent of U.S. chemical exports will receive duty-free treatment immediately upon entry into force of the agreement, including many resins, fertilizers, and soda ash. Remaining tariffs will phase out within 10 years. Current Colombian chemical tariffs average nearly 8 percent and can be as high as 20 percent. Despite tariff barriers, chemicals accounted for 24 percent of U.S. goods exports to Colombia in 2007. Other top U.S. export opportunities in this sector include vinyl chloride, styrene, and polyethylene.

Processed Foods – In 2007, Louisiana companies exported $108 million in processed foods to the Colombian market, an increase of 312 percent from 2003. The U.S.-Colombia TPA, upon entry into force, will stimulate new opportunities for Louisiana businesses in this sector. Colombia is a growing market for consumer-oriented foods. The U.S.-Colombia TPA will enhance these opportunities by eliminating tariff and non-tariff barriers that currently hamper exports of U.S. food and consumer products to Colombia. Excellent prospects in this sector include mechanically de-boned chicken meat, breakfast cereals, beer, pet food, and assorted snack foods. Food, beverage, and consumer products currently face Colombian tariffs ranging from 5 to 20 percent.

Machinery Manufactures – Louisiana's exports of machinery manufactures to Colombia totaled $11.9 million in 2007, up 328 percent from 2003. Louisiana's exporters of machinery manufactures will benefit from U.S.-Colombia TPA tariff reductions. For infrastructure and machinery products, 70 percent of U.S. industrial exports will receive duty-free treatment immediately upon entry into force of the agreement, including products such as pumps and compressors, filtration equipment, earth-sorting machinery, and printing machinery. Ninety-two percent of agricultural equipment and 88 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 Colombian tariffs on such high-value equipment will provide a competitive boost to U.S. exporters, who will no longer face tariffs as high as 20 percent. This will help Louisiana's companies take advantage of Colombia's growing demand for industrial machinery.

The U.S.-Colombia TPA Creates Opportunities for Louisiana's Agriculture

In 2006, Louisiana's agricultural exports to the world amounted to $641 million (latest data available). Colombia is already the second largest market for U.S. farm products in Latin America, with significant potential for growth. Despite high tariffs and other barriers on most agricultural products, including key Louisiana farm products such as rice, cotton, and beef, U.S. exporters shipped more than $1.2 billion in U.S. farm products to Colombia in 2007, up 41 percent from 2006. A primary U.S. objective was to change the "one-way street" of duty-free access currently enjoyed by most Colombian 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.-Colombia TPA, see the fact sheets prepared by the U.S. Department of Agriculture at http://www.fas.usda.gov/itp/us-colombia.asp

Free Trade Works for Louisiana's Exporters

In the first four years (2004-2007) of the U.S.-Chile FTA, Louisiana's exports to Chile increased by 188 percent. The state's exports to Morocco have jumped 283 percent since that FTA took effect in 2006 and since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Louisiana's combined exports to Canada and Mexico have grown by 447 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 U.S. Department of Commerce, International Trade Administration, Market Access and Compliance.