



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

Montana

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

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

Montana Depends on World Markets

Montana's global export shipments of merchandise in 2007 totaled \$1.1 billion. Montana's exports increased by 213 percent over 2003 levels, the largest percentage increase among the 50 states.

In 2007, Montana's export shipments of merchandise to Colombia totaled \$674 thousand, a 217 percent increase from 2003.

Exports Support Jobs for Montana's Workers

– Export-supported jobs linked to manufacturing account for an estimated 1.3 percent of Montana's total private-sector employment. Over one-twelfth (8.8 percent) of all manufacturing workers in Montana depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Many Montana Businesses

– A total of 600 companies exported goods from Montana locations in 2005. Of those, 515 (86 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

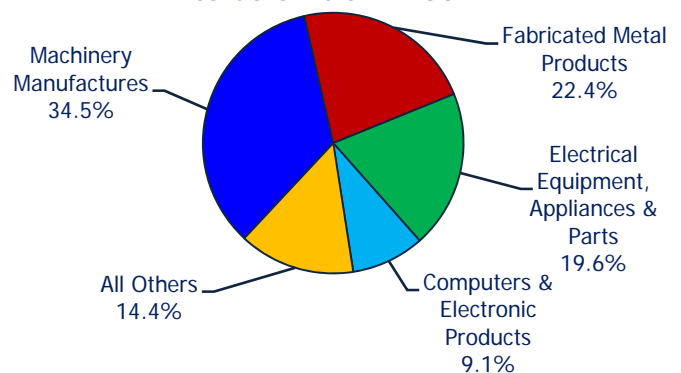
Montana's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated almost half (49 percent) of Montana's total exports of merchandise in 2005. That was the fifth highest percentage among the 50 states. 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 Colombia's exports to the United States 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.

Montana Exported \$673.5 Thousand to Colombia in 2007



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

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

Chemical Manufactures – Montana's leading manufactured export category is chemical manufactures. Montana's export shipments of these products during the 2003–2007 period grew from \$65 million to \$261 million, an increase of 303 percent. Montana'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. Other top U.S. export opportunities in this sector include vinyl chloride, styrene, and polyethylene.

Machinery Manufactures – One of Montana's leading manufactured export categories is machinery manufactures, which alone accounted for \$172 million, or 15 percent, of Montana's total export shipments in 2007. Montana's exports of machinery 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 Montana's companies take advantage of Colombia's growing demand for industrial machinery.

Paper Products – In 2007, Montana's global exports of paper products totaled \$42 million, an increase of 49 percent during the 2003-2007 period. Montana exporters in this sector will benefit from U.S.-Colombia TPA tariff reductions. U.S. exports in this sector currently face Colombian tariffs averaging 12 percent. Upon entry into force of the TPA, U.S. paper and paper products producers will benefit from the immediate elimination of Colombian tariffs on 44 percent of U.S. paper products. Remaining tariffs will be eliminated within 10 years. The top U.S. exports in this sector included kraft paper and paperboard, kraftliner, and writing paper.

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

In 2006, Montana's agricultural exports to the world were estimated at \$590 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 Montana farm products such as beef, wheat, and barley, 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 Montana's Exporters

In the first four years (2004-2007) of the U.S.-Singapore FTA, Montana's exports to Singapore increased by 227 percent and in the first three years of the U.S.-Australia FTA (2005-2007), the state's exports to Australia have grown 182 percent. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Montana's exports to Canada and Mexico have grown by 254 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.