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

Indiana

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 Indiana'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.

Indiana Depends on World Markets

Indiana's global export shipments of merchandise in 2007 totaled $25.9 billion. Indiana increased its merchandise exports $9.5 billion (58 percent) from 2003 to 2007.

In 2007, Indiana's export shipments of merchandise to Colombia totaled $70.1 million, surging 236 percent since 2003.

Exports Support Jobs for Indiana's Workers – Export-supported jobs linked to manufacturing account for 7.1 percent of Indiana's total private-sector employment. Over one-sixth (18.1 percent) of all manufacturing workers in Indiana depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Thousands of Indiana's Businesses – A total of 5,300 companies exported goods from Indiana locations in 2005. Of those, 4,452 (84 percent) were small and medium-sized enterprises, with fewer than 500 employees.

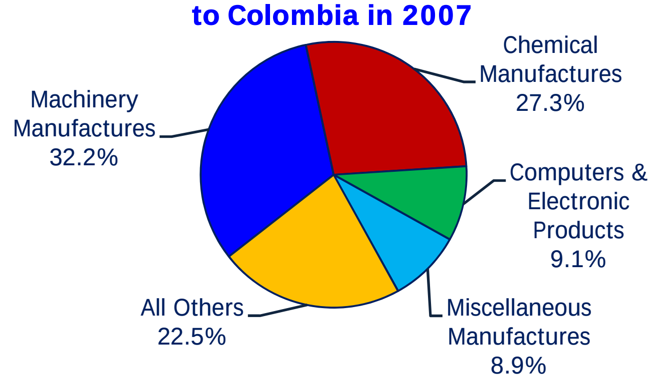
Indiana's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated 16 percent of Indiana'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 through unilateral U.S. trade preference programs such as the Andean Trade Preference Act or 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.

Indiana Exported $70.1 Million in Goods to Colombia in 2007



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

Transportation Equipment– In 2007, global shipments of Indiana's leading export, transportation equipment, totaled $7.8 billion. Transportation equipment accounted for 30 percent of Indiana's total merchandise exports in 2007. The state's exporters of transportation equipment, including aircraft, autos and auto parts, and other transportation manufactures, will benefit from U.S.-Colombia TPA tariff reductions. For aircraft and related products, current Colombian tariffs as high as 15 percent will fall to zero immediately upon entry into force of the agreement. Colombian tariffs on priority U.S. automotive products, including large-engine 4x4 vehicles, engines, brakes, shock absorbers, and other auto parts, will be phased out immediately upon entry into force of the agreement. For other transportation manufactures, 91 percent of U.S. industrial exports will receive duty-free treatment immediately upon entry into force of the agreement. This group includes high-value products such as railway and tramway cars, locomotives, trailers and semi-trailers, and sea vessels, which currently face Colombian tariffs averaging 12.7 percent.

Chemical Manufactures – In 2007, Indiana's global exports of chemical manufactures amounted to $4.9 billion, an increase of 62 percent during the 2003 to 2007 period. Indiana'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 – Indiana companies exported $3.9 billion in machinery manufactures worldwide in 2007. Indiana'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 Indiana's companies take advantage of Colombia's growing demand for industrial machinery.

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

In 2006, Indiana's agricultural exports to the world amounted to $2 billion (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 Indiana farm products such as corn, soybeans, and pork, U.S. exporters shipped $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 Indiana's Exporters

In the first four years of the U.S.-Chile FTA (2004–2007), Indiana's exports to Chile have grown 131 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Indiana's combined exports to Canada and Mexico have increased 247 percent. In the first three years of the U.S.-Australia FTA, the state's exports to Australia have grown 76 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.