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

Michigan

www.export.gov/fta/colombia/state

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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 Michigan'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.

Michigan Depends on World Markets

Michigan's global export shipments of merchandise in 2007 totaled $44.4 billion, placing Michigan seventh among the states in this category.

Michigan's export shipments of merchandise to Colombia in 2007 totaled $87 million, a 118 percent increase from 2003 to 2007.

Exports Support Jobs for Michigan's Workers – Export-supported jobs linked to manufacturing account for an estimated 6.0 percent of Michigan's total private-sector employment. Over one-fifth (21.9 percent) of all manufacturing workers in Michigan depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Thousands of Michigan's Businesses – A total of 10,042 companies exported goods from Michigan locations in 2005. Of those, 8,993 (90 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

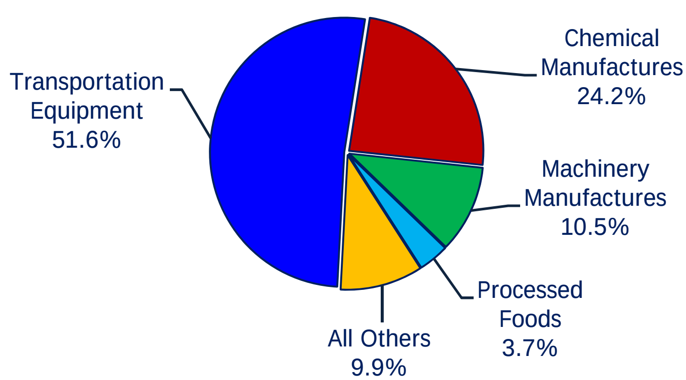
Michigan's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated 13 percent of Michigan'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 on a Normal Trade Relations basis or through 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.

Michigan Exported $87.1 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 Michigan's Exports

Transportation Equipment – Transportation equipment was Michigan's leading manufactured export category in 2007, accounting for $23.2 billion, or 52 percent, of the state's total exports. Michigan's exporters of transportation equipment, including aircraft, autos and auto parts, and other transportation manufactures, will benefit from U.S.-Colombia TPA tariff reductions. 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 – Chemical manufactures were another one of Michigan's leading manufactured export categories in 2007, accounting for $3.6 billion in merchandise exports. Michigan'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 – Michigan exporters shipped $4.1 billion worth of machinery manufactures worldwide in 2007. Michigan'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.

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

In 2006, Michigan's agricultural exports to the world were estimated at $1.1 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 Michigan farm products such as dairy, corn, vegetables and meat, 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 Michigan's Exporters

In the first four years (2004–2007) of the U.S.-Chile FTA, Michigan's exports to Chile increased by 61 percent and since the U.S.-Singapore FTA took effect in 2004, the state's exports to Singapore have grown 81 percent. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Michigan's combined exports to Canada and Mexico have grown by 71 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.