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

New Jersey

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 New Jersey'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.

New Jersey Depends on World Markets

New Jersey's export shipments of merchandise in 2007 totaled $30.5 billion, the 9th largest among the 50 states. This is a $13.6 billion increase since 2003, the seventh largest dollar increase among the 50 states.

In 2007, New Jersey exported $131 million in merchandise to Colombia, an increase of 82 percent since 2003.

Exports Support Jobs for New Jersey's Workers – Export-supported jobs linked to manufacturing account for an estimated 3.9 percent of New Jersey's total private-sector employment. One-sixth (16.7 percent) of all manufacturing workers in New Jersey depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Thousands of New Jersey Businesses – A total of 14,050 companies exported goods from New Jersey locations in 2005. Of those, 12,940 or 92 percent were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

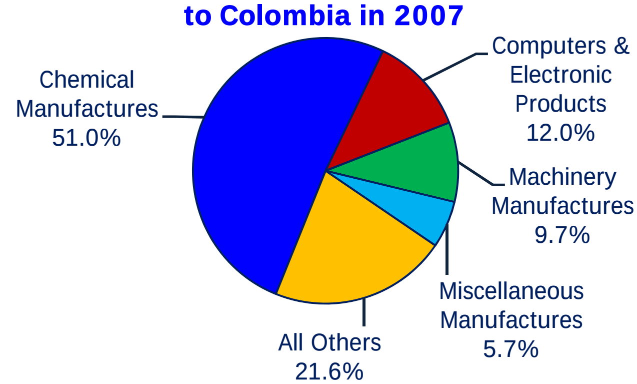
New Jersey's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated more than one-third (37 percent) of New Jersey's total exports of merchandise in 2005, well above the national average of 29 percent. 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 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.

New Jersey Exported $131.5 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 New Jersey's Exports

Chemical Manufactures – Chemical manufactures were New Jersey's leading merchandise export to Colombia in 2007, valued at $67 million. New Jersey'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 – Machinery manufactures are another significant New Jersey export to the Colombian market, valued at $12.7 million in 2007, an increase of 103 percent from 2003. New Jersey's exports 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 New Jersey's companies take advantage of Colombia's growing demand for industrial machinery.

Computers and Electronic Products – New Jersey businesses exported $15.7 million in computers and electronic products to Colombia in 2007, a growth of 496 percent since 2003. The U.S.-Colombia TPA improves market access for New Jersey's information technology goods and service providers. Nearly 100 percent of U.S. exports of products covered by the Information Technology Agreement, including important exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the agreement. U.S. exports of these products currently face Colombian tariffs that average over 8 percent and range up to 15 percent. With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Colombians.

The top U.S. exports in this sector include computers, computer parts, and radio and TV broadcasting equipment.

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

In 2006, New Jersey's agricultural exports to the world were estimated at $219 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 New Jersey farm products such as soybeans, corn, and fruit, 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 New Jersey's Exporters

In the first two years (2006-2007) of the U.S.-Morocco FTA, New Jersey's exports to Morocco grew 125 percent. In the first four years of the U.S.-Chile FTA (2004-2007), the state's exports to Chile have increased by 405 percent and since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, New Jersey's exports to Canada and Mexico have grown by 162 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.