

A Complementary Trade: United States & Colombia

A Flower Industry Report



Free Trade Works for America

The flower industry is a great example of the benefits that expanded trade brings to the United States and Colombia. As tariffs decrease, the United States will be able to export more agricultural equipment, fertilizer, seeds, and related plastic products to Colombia, as two-way free trade will benefit both our countries. For more than fifty years, with strong bipartisan support, America has worked for open markets and free trade. We have signed trade agreements to tear down foreign barriers and tariffs, and open new markets for American products where 95 percent of the world's consumers live. Now, we have the opportunity to further strengthen our economy and security by partnering with Colombia on a permanent trade deal.

In Latin America, Colombia is the United States' fifth largest trade partner, behind Mexico, Brazil, Venezuela, and Chile, the United States is Colombia's largest trading partner, buying 40 percent of Colombia's exports.

Our trade policy has given our Nation great opportunities by enabling America to compete freely and fairly in overseas markets. Now more than ever, exports are a huge driver of American economic growth. In 2006, America exported an astounding \$1.4 trillion worth of goods and services. Through the third quarter of 2007, increased exports accounted for approximately a third of our economic growth.

Broad Bipartisan Support for ATPA – *Why Not for Two-Way Free Trade?*

Since 1992, the U.S. Congress has overwhelmingly and repeatedly voted in favor of freely opening the U.S. market to Colombian goods, in order to help our partner grow and prosper from the benefits of free trade and more opportunity in the formal economy. With the help of U.S. assistance and the one-way trade benefits of the Andean Trade Preference Act (ATPA), Colombia's economic transformation has paved the way to stability, security, and continued growth. Today, 92 percent of Colombian exports enter the United States duty-free under the ATPA; meanwhile, U.S. products exported to Colombia face tariffs that undermine U.S. competitiveness in the Colombian market.

The U.S.-Colombia TPA will give American businesses, farmers, ranchers, and workers similar access to the Colombian market. Upon entry into force, 80 percent of U.S. goods exported to Colombia will enter duty-free immediately. This two-way free trade agreement will remove barriers to U.S. services, ensure a predictable investment climate with clear rules, and protect U.S. intellectual property.

Colombia has a number of barriers to U.S. service suppliers that the TPA will address. Removal of these barriers will allow increased access and streamlining of operations for U.S. companies. The TPA provisions on customs trade facilitation will help express delivery service companies better serve customers seeking to enhance their competitiveness in the hemisphere and global market.

U.S. Industry Benefits from the TPA

- Over 92 percent of U.S. agricultural equipment exports will receive duty-free treatment immediately; remaining tariffs will be eliminated over five years with equal cuts;
- U.S. fertilizers, which help Colombian flowers grow, will no longer face up to a 15 percent tariff;
- U.S. plastics, used to wrap the floral bouquets and to furnish Colombian greenhouses, will profit after tariffs as high as 20 percent are removed under the TPA with Colombia;
- U.S. flower seeds sent to Colombia will immediately be duty-free – but now face 5 percent tariff;
- U.S. Air Cargo Carriers will benefit from increases in cargo shipments resulting from free trade.

Colombia's Remarkable Progress

The U.S.-Colombia Trade Promotion Agreement (TPA) will help solidify and support many of the important economic and social reforms the Government of Colombia has achieved to improve the lives of millions of Colombians who have suffered from decades of violence and insurgency.

Improving the Lives of Colombians (past five years)

- ✓ More kids are going to school -- enrollment is up to 92 percent, compared to about 80 percent five years ago;
- ✓ Colombia has succeeded in giving meals to 64 percent more children while at school;
- ✓ More than three million people have been added to the public health system since President Uribe took office; and
- ✓ Poverty and unemployment rates are at their lowest in a decade.

Improving the Security of Colombians (Plan Colombia since 2000)

- ✓ Homicides have dropped 40 percent; homicides against trade unionists have fallen 60 percent;
- ✓ Kidnappings have declined by 76 percent;
- ✓ Terrorist attacks are down 61 percent; and
- ✓ Insurgent groups such as the FARC, ELN, and the paramilitaries are weaker now.

Improving the Economy for Colombians (GDP growth, poverty, reforms)

- ✓ GDP growth up 6.8 percent in 2006, reaching 8 percent in the first quarter of 2007 (highest in Colombian history);
- ✓ Poverty rate down from 57 percent in 1999 to 45 percent in 2006;
- ✓ Extreme poverty down from 25 percent in 1999 to 12 percent in 2006; and
- ✓ Top 10 Reformer in 2007, according to the World Bank's Doing Business Report.

Colombia -- Committed to Improve Labor Conditions

- Under the U.S.-Colombia TPA, Colombia has committed to fully adopt, maintain, and enforce its labor laws, which include the freedom of association, collective bargaining, and the elimination of the worst forms of child labor.
- Colombia passed a new labor code for children in 2006, which raised the minimum age of employment for any children to between 15 and 17.
- Violence against labor leaders is down about 70 percent since 2002 and the Government of Colombia is fully committed to do more.
- The flower industry's workforce is the highest unionized labor force in Colombia and enjoys strong labor and environmental protections, good pay, and job security. Union membership in the association's member companies is approximately three times the national average.
- Today, 75 percent of Asocolflores member companies pay salaries up to 28 percent above the minimum wage and all of them meet other legal requirements, including social security payments (health, pension, and bonuses).
- 100 percent of the Asocolflores member company workers are hired with legal contracts and 86 percent of these workers have labor-specific contracts.

The Colombian-American Flower Connection

A Real Joint Venture -- Colombian floriculture has forged a great partnership with the United States. This partnership is a “win-win” for both our countries, in terms of economic, commercial and social impacts, the latter being especially relevant to Colombia, a developing country.

- Diverse industries provide inputs and services to the floral chain in the USA, as well as in Colombia, many supplied with raw materials and finished products imported from United States. *Their business is highly dependent on Colombian floriculture, for example the manufacturers and distributors of polyethylene for greenhouses, carton packing boxes, fertilizers and pesticides, and airline carriers.*
- Colombia exported 80 percent of its flowers to the United States in 2006 – that’s \$740 million value out of the total value (\$930 million) of Colombian worldwide flower sales. By the time the flower reaches the consumer, \$7 billion of value is added along the floral chain, which includes many U.S.-based importers, brokers, truckers, wholesalers, florist retailers, and supermarkets.
- Some 150 flower importer distributor companies have been established, mostly located in the Miami area, owned and operated by Colombian and/or American citizens.
- For major international airports -- Miami, Bogota, and Rionegro (Medellin) -- flowers are by far the single most important cargo item. At Bogota and Rionegro, they represent about 80 percent of the volume. Flowers have turned the Bogota airport into Latin America’s foremost air cargo handler (some 200,000 tons of annual air freight).
- International trade in Colombian flowers generates nearly \$200 million per year in freight costs paid to U.S. and Colombian airlines.
- Flowers carried by eight airlines, flying mainly to the United States, represent their major cargo business. During peak seasons, 30 to 35 fully-loaded flights per day take off from Colombia, most landing in Miami and a small but growing number in New York, Los Angeles, and Houston.
- About 30 American companies operating hundreds of trucks haul flowers daily from the above mentioned airports to hundreds of cities over most of the United States.
- Over 25,000 traditional florist retailers, selling flower arrangements to final consumers and nearly 1,000 wholesalers supplying them receive on average 60 percent of their product from Colombian farms. The “big box” supermarket chains, such as Wal-Mart, Kroger, Safeway, Whole Foods, Albertson’s, and Costco, which have an overall flower market share of about 50 percent, are also supplied by Colombian farms on a similar high average (nearly 60 percent).
- *Science & Technology Cooperation* -- Colombian and American floriculture collaboration in science and technology has been significant. Asocolflores has contributed more than \$1 million to support research and development through the AFE-American Floral Endowment Fund and the ICFG Hills Memorial Foundation. A total of 81 projects, funded by AFE, have been completed since 1999 and another 33 are underway with 18 American universities, focused on pest management, post-harvest handling and quality control.
- The American government made a strong endorsement (over \$2 million), through the United States Agency for International Development to strengthen and expand two of Asocolflores’ leading social responsibility and peace-seeking programs: *Cultivating Peace in the Family*, which teaches flower farm workers to manage conflicts in a rational, non-violent way; and the *School of Floriculture*, aimed at training people displaced by terrorist and drug-related violence in the principles and practices of floriculture. This program improves job opportunities in the horticultural production sectors.

Democracy and Security: Following Through on our Commitments

The United States has invested considerable resources – over \$5 billion -- in the future of Colombia, and has done so with strong bipartisan support. In 2001, the Clinton Administration, working with a Republican-controlled Congress, passed Plan Colombia legislation to fight the drug trade, reduce poverty and violence, and promote economic and social progress. *The Washington Post* noted that Plan Colombia has been “a clear success in helping the Colombian government beat back drug traffickers, leftist guerrillas and right-wing insurgents.”

President Uribe is committed to doing even more, building on this great progress. The United States must assist him in these efforts. Defeating the TPA with Colombia will not stem union violence, nor assist the Colombian government to bring more perpetrators of crime to justice. Defeating the TPA and turning our backs on progress could actually set back the remarkable economic and social progress made to date.

Colombia Deserves a Vote

The vote on this agreement is about more than trade. We must make clear that we stand with our friends in elected democracies who are working to strengthen democracy and prosperity in our Hemisphere.

Colombia is a Latin American nation that remains committed to economic freedom, to openness, and to democracy. The hand of the Colombian people is outstretched – all that remains is for America to decide whether to take it in friendship, or to turn away in misguided fear. America should stand with those who stand for economic and political freedom.

Western Hemisphere Support for Free Trade

“I am certain that the respective approvals by the Congress of your country of the free trade agreements between the United States and Peru, Panama, and Colombia ... will benefit those countries as well as the rest of the American continent, whose common aspiration is to advance along the path of economic and social development in peace, freedom, and democracy. These approvals will also be beneficial for relations between the United States and Latin America, since they will stimulate trade and exchanges, as well as the global economic and political relations.”

- H.E. Michelle Bachelet Jeria, President of Chile

“As Secretary of OAS, I see great hope for an Americas linked by the common goal of strong democracies that deliver the benefits of closer integration and sound economic policies for current and future generations. The approval of the FTAs would augur well for a united hemisphere.”

- Jose Miguel Insulza, Secretary General of American Organization of States

“The United States has played an important role in the opening of markets for our countries...Mexico, Chile and the countries of Central America and the Dominican Republic...Colombia, Panama and Peru [FTAs]...would send an important message of the commitment we all have towards commercial integration and interdependence within our Continent.

- Presidents Zelaya (Honduras), Saca (El Salvador), Berger (Guatemala)