



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

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

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

Arkansas Depends on World Markets

Arkansas' export shipments of merchandise in 2007 totaled \$4.9 billion. This is an increase of 65 percent, or \$1.9 billion, over the 2003 value of \$3.0 billion.

Arkansas's export shipments of merchandise to Colombia totaled \$25 million in 2007, an increase of 150 percent since 2003.

Exports Support Jobs for Arkansas's Workers

– In 2005, export-supported jobs linked to manufacturing account for an estimated 5.1 percent of Arkansas total private-sector employment. One-ninth (11.1 percent) of all manufacturing workers in Arkansas depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain More than a Thousand of Arkansas's Businesses – A total of 1,365 companies exported goods from Arkansas locations in 2005. Of those, 1,032 (76 percent) were small and medium-sized enterprises with fewer than 500 employees.

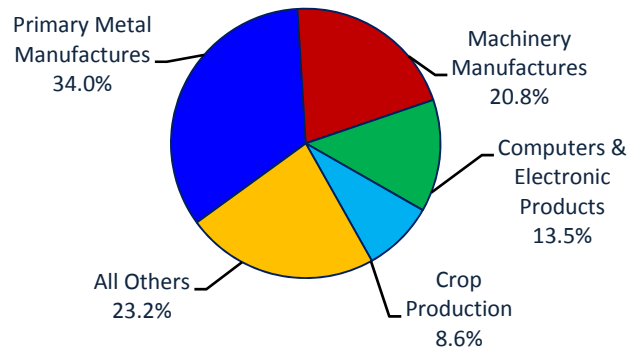
Arkansas's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated nearly one-fifth (19 percent) of Arkansas' 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 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.

Arkansas Exported \$25.4 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 Arkansas's Exports

Transportation Equipment – Transportation equipment was Arkansas's leading global export category in 2007 as well as the state's fastest-growing export category in dollar terms during the 2003-2007 period. Arkansas's export shipments of these products grew by \$801 million during the period to reaching a value of \$1.3 billion in 2007. Arkansas'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.

Processed Foods – Processed foods was Arkansas' second leading global export category in 2007. Export shipments of these products totaled \$605 million in 2007, an increase of 33 percent from 2006. The U.S.-Colombia TPA, upon entry into force, will stimulate new opportunities for U.S. businesses in this sector. Colombia is a growing market for consumer-oriented foods. The U.S.-Colombia TPA will enhance these opportunities by eliminating tariff and non-tariff barriers that currently hamper exports of U.S. food and consumer products to Colombia. Excellent prospects in this sector include mechanically de-boned chicken meat, breakfast cereals, beer, pet food, and assorted snack foods. Food, beverage, and consumer products currently face Colombian tariffs ranging from 5 to 20 percent.

Chemical Manufactures – Chemical manufactures were another of Arkansas' leading global export categories, with export shipments of these products totaling \$563 million in 2007, an increase of \$132 million during the 2003-2007 period. Arkansas'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, with the remaining tariffs phased out within 10 years. Tariffs on high-value chemical products, including many resins, fertilizers, and soda ash, will be phased out immediately. Current Colombian chemical tariffs average 8 percent and can be as high as 20 percent. Other strong opportunities in this sector include vinyl chloride, styrene, and polyethylene.

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

In 2006, Arkansas's agricultural exports to the world amounted to \$1.9 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 Arkansas farm products such as poultry, soybeans, and rice, U.S. exporters shipped \$1.2 billion in U.S. farm products to Colombia in 2007, up 41% 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 Arkansas's Exporters

Since the U.S.-Jordan FTA took effect in 2001, Arkansas' exports to Jordan have grown 3,692 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Arkansas' combined exports to Canada and Mexico have increased 216 percent and since the U.S.-Singapore FTA entered into force in 2004, the state's exports to Singapore have grown 144 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.