INTERNATIONAL TRADE ADMINISTRATION

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

Hawaii

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 Hawaii'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.

Hawaii Depends on World Markets

Hawaii's global export shipments of merchandise in 2007 totaled $560 million.

In 2007, Hawaii's export shipments of merchandise to the Colombian market totaled $132 thousand, up 236 percent since 2003.

Exports Support Jobs for Hawaii's Workers – Export-supported jobs linked to manufacturing account for an estimated 0.8 percent of Hawaii's total private-sector employment. Approximately 2.2 percent of all manufacturing workers in Hawaii depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Hundreds of Hawaii's Businesses – A total of 643 companies exported from Hawaii locations in 2005. Eighty-eight percent of these companies (566), or more than four-fifths, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

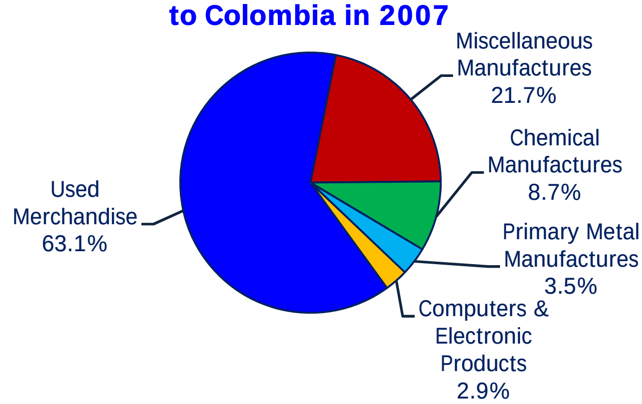
Hawaii's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated over half (55 percent) of Hawaii'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.

Hawaii Exported $131.5 Thousand in Goods to Colombia in 2007



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

The U.S.-Colombia TPA Opens New Markets for Hawaii's Exports

Transportation Equipment – One of the state's leading manufactured export categories in 2007 was transportation equipment, which accounted for 16 percent, or $88.5 million, of Hawaii's total merchandise exports. Hawaii'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.

Computers and Electronic Products – In 2007, computers and electronic products were a significant Hawaiian manufactured export, valued at $30 million. The U.S.-Colombia TPA improves market access for 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. 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.

Processed Foods – Processed foods are another of Hawaii's leading manufactured exports, with global sales of $29 million in 2007. Hawaii's exports of processed foods have grown 19 percent since 2003. The U.S.-Colombia TPA, upon entry into force, will stimulate new opportunities for Hawaiian 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.

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

In 2006, Hawaii's agricultural exports to the world amounted to $96 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 Hawaii farm products such as fruits, nuts, and sugar, 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 Hawaii's Exporters

In the first four years of the U.S.-Chile FTA (2004–2007), Hawaii's exports to Chile have increased 158 percent. Hawaii has also seen significant export growth (1,790 percent) to Singapore since that FTA took effect in 2004 and in the last three years (2005-2007), Hawaii's exports to the CAFTA-DR region have increased 1,423 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.