

U.S.-Colombia Trade Promotion Agreement

ENHANCED MARKET ACCESS TO COLOMBIA

Over 80 percent of U.S. exports of consumer and industrial products to Colombia will be duty-free immediately upon entry into force of the Agreement, with remaining tariffs phased out over ten years. Within each of the following key industrial sectors, almost all products will gain immediate duty free access to the Colombian market: agriculture and construction equipment, aircraft and parts, auto parts, fertilizers and agro-chemicals, information technology equipment, medical and scientific equipment, and wood. Key U.S. agriculture exports such as cotton, wheat, soybeans, high quality beef, apples, pears, peaches, cherries and almonds, will receive immediate duty-free treatment.-

Best Prospects for Increased Market Growth for Non-Textile Industrial Goods

Information Technology Products

Virtually all information technology products will be duty free upon entry into force of the Agreement. Despite tariffs that average over eight percent and range up to fifteen percent, U.S. exports of information technology products were \$747 million in 2006, accounting for over 15 percent of total U.S. industrial exports to Colombia. With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Colombians.

Average Colombian Tariffs on Imports of Goods from the United States

Information Technology Equipment	8.2%
Chemicals	7.8%
Metals and Ores	9.2%
Infrastructure and Machinery	11.1%
Transportation Equipment	12.7%
Autos and Auto parts	7.4%
Building Products	13.2%
Paper and Paper Products	12.5%
Consumer Goods	14.6%

Colombia has agreed to join the multilateral Information Technology Agreement (ITA) by December 31, 2007. U.S. exporters of information technology products will all benefit from this provision.

Agriculture and Construction Equipment, Infrastructure and Machinery

Over 92 percent of U.S. exports of agricultural equipment and 88 percent of U.S. exports of construction equipment to Colombia will be duty-free immediately upon entry into force of the Agreement. Together, U.S. exports of these capital goods to Colombia totaled \$505 million in 2006.

Seventy percent of U.S. infrastructure and machinery exports to Colombia will be duty-free upon entry into force of the U.S.-Colombia TPA. U.S. exporters of agricultural and construction equipment, food processing, storage and packing equipment and heating and cooling equipment will benefit significantly from the Agreement. With the immediate elimination of most industrial machinery tariffs, and phase-out of all remaining tariffs, U.S. exports will be much more competitive compared to goods from other countries.

Colombia's national strategy to boost public infrastructure spending by 78 percent over the next four years, combined with rapidly growing investment in the energy and construction sectors, will continue to fuel demand for specialized machinery. Upcoming

opportunities include a \$1 billion expansion of the Cartagena Refinery and investments in ethanol-producing plants to comply with Colombian law, which now requires a ten percent ethanol blend with gasoline to improve air pollution conditions in the country. Colombia's recent efforts to increase oil and gas exploration and extraction include very attractive contractual terms and incentives for new entrants in the market, creating additional demand for equipment. The Agreement's provisions will give U.S. exporters a strong competitive advantage over European and Asian suppliers.

Chemicals

Chemicals accounted for 34 percent of U.S. industrial exports to Colombia in 2006, totaling \$1.67 billion. Current tariffs of up to twenty percent will fall to zero on eighty-two percent of chemical exports immediately upon implementation of the Agreement. The remaining tariffs will phase out over ten years. Best prospects in this sector include polyethylene, lubricating oil additives and acrylic polymers. Tariffs on 100 percent of fertilizers and agrochemical exports will fall to zero immediately upon entry into force of the Agreement.

Remanufactured Equipment

For the first time, U.S. exporters will be able to sell high-quality remanufactured equipment in Colombia. Currently, these products face an import ban. Upon implementation of the Agreement, U.S. remanufacturers of many products, such as engines, radiators, and alternators for construction equipment and transportation machinery, will be able to export their products to Colombia without non-tariff barriers. Remanufacturing is a labor-intensive activity that allows the recycling of discarded or used "cores," which are normally the heaviest basic parts, such as an engine or radiator. The industry employs tens of thousands of U.S. workers. Under the U.S.-Colombia TPA, tariffs on most remanufactured products will be eliminated immediately and tariffs on a small number of products will be phased out over ten years. This is an excellent opportunity for U.S. exporters of remanufactured equipment, including computers, cellular telephones, construction and medical equipment, and auto parts.

Medical Equipment

Ninety-six percent of U.S. medical equipment exports to Colombia will receive duty-free access immediately upon entry into force of the Agreement, with the remaining duties phased out over five and ten years. Medical equipment accounted for over three percent of total U.S. industrial exports to Colombia in 2006, totaling \$160 million. The top U.S. exports in this sector include medical needles, surgical and orthopedic equipment, and diagnostic apparatus. A Colombian Government initiative recently announced by the Ministry of Social Protection will encourage the upgrading of radiology equipment, providing additional opportunity for U.S. suppliers.

Electrical Power Generation and Distribution Equipment

Tariffs on 65 percent of U.S. energy equipment exports will be eliminated immediately upon entry into force of the Agreement with the remaining tariffs phased out over ten years. The outlook for the Colombian electricity sector is promising, as the government plans to develop several new generation projects to accommodate increased demand.

Additionally, Colombia intends to become a major exporter of electricity to its Andean neighbors and Central America.

Aircraft and Related Parts

One hundred percent of U.S. aircraft and related parts exports to Colombia will receive duty free access immediately upon entry into force of the Agreement. In 2006, U.S. companies exported nearly \$186 million in such goods to Colombia, including airplanes, helicopters, and aircraft engines.

Colombia is in the process of privatizing its Bogotá international airport, and soon will do the same for five additional regional and international airports. The U.S.-Colombia TPA will give U.S. exporters a competitive edge in a sector where competition with European products and services is fierce.