INTERNATIONAL TRADE ADMINISTRATION

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

North Carolina

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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 North Carolina'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.

North Carolina Depends on World Markets

North Carolina's export shipments of merchandise in 2007 totaled $23.3 billion. North Carolina was the 14th largest exporter among the 50 states in 2007. North Carolina's exports to the world increased by $7.1 billion from 2003 to 2007, the 16th largest dollar increase among the 50 states.

North Carolina's export shipments of merchandise to Colombia in 2007 totaled $181 million, ranking seventh among the 50 states that year.

Exports Support Jobs for North Carolina's Workers – Export-supported jobs linked to manufacturing account for an estimated 5.4 percent of North Carolina's total private-sector employment. One-sixth (16.4 percent) of all manufacturing workers in North Carolina depend on exports for their jobs. (2005 data are the latest available.

Exports Sustain Thousands of North Carolina's Businesses – A total of 6,819 companies exported goods from North Carolina locations in 2005. Of those, 85 percent, or 5,829 firms, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

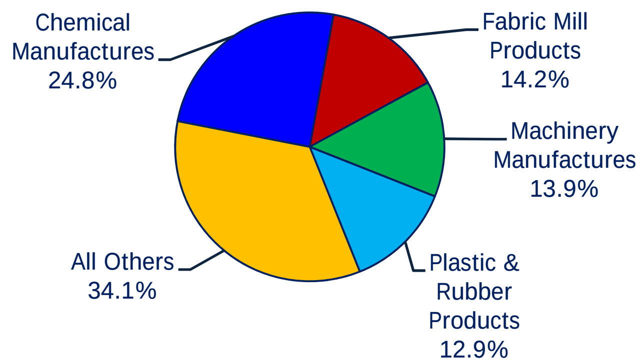
North Carolina's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated more than one-fifth (22 percent) of North Carolina'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.

North Carolina Exported $181.1 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 North Carolina's Exports

Chemical Manufactures – In 2007, chemical manufactures were North Carolina's leading manufactured export to the Colombian market, accounting for $45 million, or 25 percent, of the state's exports to Colombia that year. North Carolina's exports of these products to Colombia jumped 162 percent since 2003. North Carolina'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.

Plastics and Rubber Products – In 2007, North Carolina exported $23 million in plastics and rubber products to the Colombian market, up 959 percent since 2003. North Carolina's exports of plastic and rubber products will benefit from U.S.-Colombia TPA tariff reductions. The agreement eliminates tariffs on 60 percent of these products immediately upon entry into force, with tariffs on another 27 percent eliminated over 7 years. Remaining tariffs will phase out over 10 years. Top export opportunities in this sector include polyethelene and polyethers, adhesive sheets and films, and new pneumatic tires.

Fabric Mill Products – North Carolina exported $26 million in fabric mill products to Colombia in 2007. North Carolina companies will benefit from U.S.-Colombia TPA textiles and apparel provisions. Colombian textile manufacturers purchase significant amounts of fabric and yarn from the United States, and the trade in this sector continues to grow. Total U.S. exports of fabric mill products to Colombia amounted to $95 million in 2007. The agreement provides Colombian garment makers and their U.S. suppliers of fabric and yarns a critical advantage in competing in global trade. Garments made in the region will enter the U.S. market duty-free under the agreement if they use U.S. fabric and yarn, thereby supporting U.S. exports and jobs. When the U.S.-Colombia TPA enters into force, Colombian tariffs on qualifying U.S. yarns and fabrics will be eliminated, further improving market access for U.S. exporters.

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

In 2006, North Carolina's agricultural exports to the world were estimated at $2.0 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 North Carolina farm products such as pork, poultry, and cotton, 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 North Carolina's Exporters

In the first four years (2004-2007) of the U.S.-Chile FTA, North Carolina's exports to Chile increased by 79 percent. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, North Carolina's exports to Canada and Mexico have grown by 150 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.