



INTERNATIONAL
TRADE
ADMINISTRATION

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

North Dakota

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 North Dakota'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 Dakota Depends on World Markets

North Dakota's export shipments of merchandise in 2007 totaled \$2.0 billion. That is a 138 percent increase over the 2003 figure of \$854 million and the third fastest growth among the 50 states over that time period.

North Dakota's exports of merchandise to the Colombian market totaled \$6.5 million in 2007, a remarkable increase of 548 percent since 2003.

Exports Support Jobs for North Dakota's Workers – Export-supported jobs linked to manufacturing account for an estimated 3.7 percent of North Dakota's total private-sector employment. Over one-seventh (14.7 percent) of all manufacturing workers in North Dakota depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Many North Dakota Businesses – A total of 657 companies exported goods from North Dakota locations in 2005. Of those, 558, or 85 percent, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

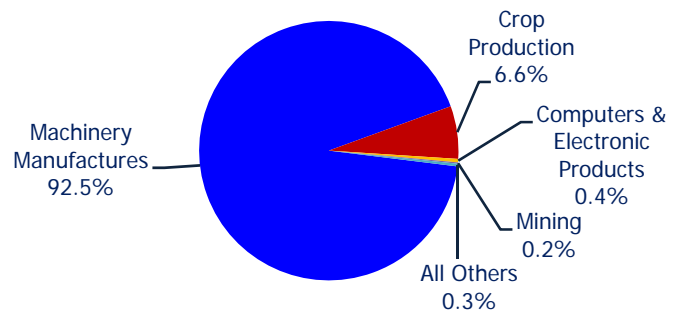
North Dakota's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated over one-fourth (26 percent) of North Dakota'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 Dakota Exported \$6.5 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 Dakota's Exports

Machinery Manufactures – The state's leading manufactured export category is machinery manufactures, which alone accounted for \$929 million, or 46 percent, of North Dakota's total export shipments in 2007. North Dakota companies will benefit from U.S.-Colombia TPA tariff reductions. For infrastructure and machinery products, 70 percent of U.S. industrial exports will receive duty-free treatment immediately upon entry into force of the agreement, including products such as pumps and compressors, filtration equipment, earth-sorting machinery, and printing machinery. Ninety-two percent of agricultural equipment and 88 percent of construction equipment, including bulldozers, mechanical shovels, boring and sinking machinery, and dumpers, will receive duty-free treatment immediately upon entry into force of the agreement. The elimination of Colombian tariffs on such high-value equipment will provide a competitive boost to U.S. exporters, who will no longer face tariffs as high as 20 percent.

Processed Foods – Another of North Dakota's largest manufactured export categories in 2007 was processed foods, valued at \$209 million. 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.

Transportation Equipment – In 2007, North Dakota's global exports of transportation equipment topped \$162 million. North Dakota'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.

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

In 2006, North Dakota's agricultural exports to the world were estimated at \$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 North Dakota farm products such as wheat, beef, and soybeans, 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 Dakota's Exporters

In the first four years (2004-2007) of the U.S.-Chile FTA, North Dakota's exports to Chile increased by 312 percent. During the first four years of the U.S.-Singapore FTA (2004-2007), North Dakota's exports to Singapore increased by 321 percent and since entry into force of the North American Free Trade Agreement (NAFTA), North Dakota's combined exports to Canada and Mexico have grown 289 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.