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

South Carolina

www.export.gov/fta/colombia/state **March 2008**

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

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

South Carolina Depends on World Markets

South Carolina's export shipments of merchandise in 2007 totaled $16.6 billion. The state's exports to the world increased $4.8 billion, or 41 percent, from 2003 to 2007.

South Carolina's export shipments of merchandise to Colombia in 2007 totaled $99 million, an increase of 121 percent from 2003 to 2007.

Exports Support Jobs for South Carolina's Workers – Export-supported jobs linked to manufacturing account for an estimated 9.0 percent (tied with Washington for the highest share among the 50 states) of South Carolina's total private-sector employment. Over one-fourth (26.4 percent) of all manufacturing workers in South Carolina depend on exports for their jobs, tied with Massachusetts for the third highest figure among the 50 states. (2005 data are the latest available.)

Exports Sustain Thousands of South Carolina's Businesses – A total of 3,107 companies exported goods from South Carolina locations in 2005. Of those, 2,531, or 81 percent, were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

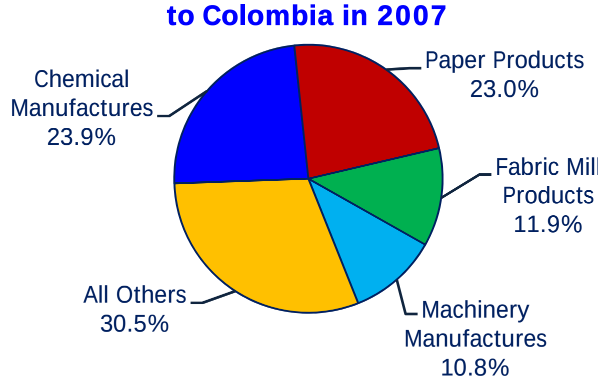
South Carolina's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated almost one-sixth (16 percent) of South 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 under unilateral U.S. trade preference programs such as the Andean Trade Preference Act and the Generalized System of Preferences or under zero Normal Trade Relations tariffs. 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.

South Carolina Exported $98.7 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 South Carolina's Exports

Chemical Manufactures – South Carolina companies exported $24 million in chemical manufactures to Colombia in 2007, a 77 percent increase from 2003. These products accounted for 24 percent of South Carolina's total merchandise exports to Colombia in 2007. U.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, including many resins, fertilizers, and soda ash. Remaining tariffs will phase out within 10 years. Current Colombian chemical tariffs average nearly 8 percent and can be as high as 20 percent. Other top U.S. export opportunities in this sector include vinyl chloride, styrene, and polyethylene.

Paper Products – In 2007, South Carolina's exports of paper products to Colombia totaled $23 million, up 208 percent during the 2003-2007 period. U.S. exports in this sector currently face Colombian tariffs averaging 12.5 percent. Upon entry into force of the TPA, U.S. paper and paper products producers will benefit from the immediate elimination of Colombian tariffs on 44 percent of U.S. paper products. Remaining tariffs will be eliminated within 10 years. The top U.S. exports in this sector included kraft paper and paperboard, kraftliner, and writing paper.

Fabric Mill Products – In 2007, South Carolina's exports of fabric mill products to Colombia totaled $12 million, up 320 percent during the 2003-2007 period. Colombian textile manufacturers purchase significant amounts of fabric and yarn from the United States, and the trade in this sector continues to grow. 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 South Carolina's Agriculture

In 2006, South Carolina's agricultural exports to the world were estimated at $482 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 South Carolina farm products such as poultry, soybeans, and wheat, U.S. exporters shipped more than $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 South Carolina's Exporters

Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, South Carolina's combined exports to Canada and Mexico have grown by 262 percent. Since the U.S.-Chile FTA entered into force in 2004, South Carolina's exports to Chile have grown by 280 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.