INTERNATIONAL TRADE ADMINISTRATION

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

Virginia

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 Virginia'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.

Virginia Depends on World Markets

Virginia's global export shipments of merchandise in 2007 totaled $16.9 billion, up 56 percent from $10.9 billion in 2003.

In 2007, Virginia's merchandise exports to Colombia totaled $103 million, up 183 percent from 2003.

Exports Support Jobs for Virginia's Workers – In 2005, export-supported jobs linked to manufacturing account for an estimated 3.4 percent of Virginia's total private-sector employment. Nearly one-sixth (15.5 percent) of all manufacturing workers in Virginia depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Thousands of Virginia's Businesses – A total of 4,457 companies exported goods from Virginia locations in 2005. Of those, 3,733 (84 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

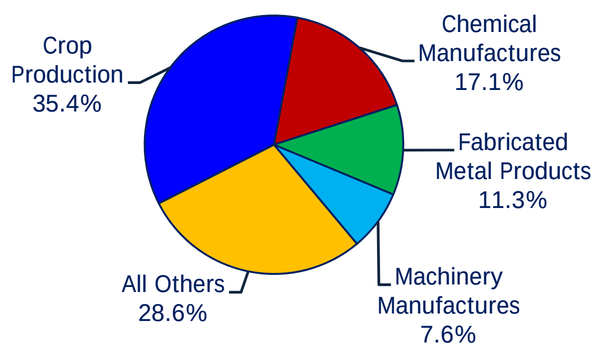
Virginia's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated one-fourth (25 percent) of Virginia'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.

Virginia Exported $103.1 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 Virginia's Exports

Chemical Manufactures – Chemical manufactures accounted for $18 million of Virginia's merchandise exports to Colombia in 2007, a 302 percent jump during the 2003-2007 period. Virginia'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.

Machinery Manufactures – In 2007, machinery manufactures were one of Virginia's leading manufactured exports to Colombia. In 2007, Virginia's export shipments of these products to Colombia totaled $7.9 million, an increase of 50 percent from 2003. Virginia's exports of machinery 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. This will help Florida's companies take advantage of Colombia's growing demand for industrial machinery.

Paper Products – In 2007, Virginia's exports of paper products to Colombia amounted to $6.7 million. The state's exports of these products to the Colombian market have jumped 541 percent since 2003. 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. U.S. exports in this sector currently face Colombian tariffs averaging 12.5 percent. The top U.S. exports in this sector included kraft paper and paperboard, kraftliner, and writing paper.

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

In 2006, Virginia's agricultural exports to the world were estimated at $588 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 Virginia farm products such poultry, beef, and wheat, 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 Virginia's Exporters

Since NAFTA's entry into force in 1994, Virginia's combined exports to Canada and Mexico have grown by 172 percent. Since the entry into force of the U.S.-Chile FTA in 2004, Virginia's exports to Chile have grown 95 percent and since the entry into force of the U.S.-Singapore agreement in 2004, Virginia's exports to Singapore have risen by 599 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.