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

Utah

www.export.gov/fta/colombia/state **April 2007**

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

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

Utah Depends on World Markets

Utah's export shipments of merchandise in 2006 totaled $6.8 billion, a 50 percent increase over the 2002 level of $4.5 billion.

Utah's merchandise exports to the Colombian market in 2006 totaled $6.7 million.

Exports Support Jobs for Utah's Workers – Export-supported jobs linked to manufacturing account for an estimated 4.4 percent of Utah's total private-sector employment. Nearly one-sixth (15.2 percent) of all manufacturing workers in Utah depend on exports for their jobs. (2003 data are the latest available.)

Exports Sustain Thousands of Utah's Businesses – A total of 2,303 companies exported goods from Utah locations in 2004. Of those, 1,915 (83.2 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

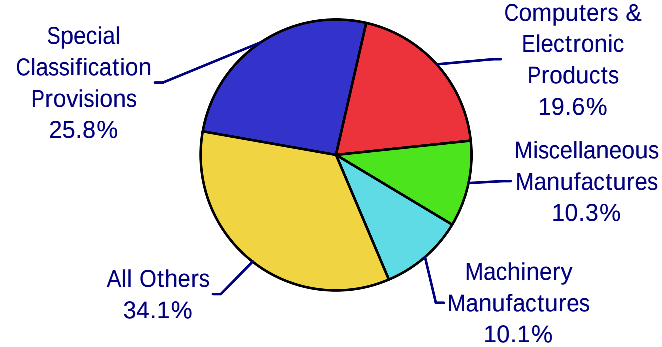
Utah's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated 20 percent of Utah's total exports of merchandise in 2004. 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 2006, 92 percent of Colombia's exports to the United States entered duty-free 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.

Utah Exported $1.2 Million in Goods to Colombia in 2006



Source: U.S. Department of Commerce, International Trade Administration.

The U.S.-Colombia TPA Opens New Markets for Utah's Exports

Primary Metal Manufactures – Primary metal manufactures accounted for $2.8 billion, or 41 percent, of Utah's global exports in 2006, up 45 percent since 2002. Utah's exports of primary metal manufactures will benefit from U.S.-Colombia TPA tariff reductions. Upon entry into force of the agreement, all U.S. exports of primary metal manufactures will be duty-free in the Colombian market within five to 10 years. U.S. exports of these products currently face Colombian tariffs averaging 9.2 percent, with some as high as 20 percent. Leading opportunities for U.S. exporters in this sector include iron and steel tubing, aluminum plates, hot-rolled iron, and drill pipe.

Transportation Equipment – Transportation equipment accounted for $615 million of Utah's global exports in 2006, an increase of 26 percent since 2002. Utah'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.

Computers and Electronic Products – Computer and electronic products accounted for $589 million of Utah's global exports in 2006. The U.S.-Colombia TPA improves market access for Utah's information technology goods and service providers. Nearly 100 percent of U.S. exports of products covered by the Information Technology Agreement, including important exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon entry into force of the agreement. U.S. exports of these products currently face Colombian tariffs that average over 8 percent and range up to 15 percent. With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Colombians. The top U.S. exports in this sector include computers, computer parts, and radio and TV broadcasting equipment.

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

In 2005, Utah's farm cash receipts were $1.2 billion, and agricultural exports were estimated at $221 million, putting the state's reliance on agricultural exports at 18 percent of all farm cash receipts. (2005 data are the latest 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 Utah farm products such as wheat, hides and skins, and live animals and red meat, U.S. exporters shipped more than $677 million in U.S. farm products to Colombia in 2005. 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. The American Farm Bureau Federation estimates that the total increase in U.S. farm exports could exceed $690 million annually after full implementation of the agreement.

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 Utah's Exporters

Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Utah's combined exports to Canada and Mexico have grown 195 percent. Since the entry into force of the U.S.-Singapore FTA in 2004, Utah's exports to Singapore have risen 48 percent and Utah's exports to Australia have risen by 62 percent since the U.S.-Australia FTA entered into force in 2005.

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 part (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.