

U.S.- Colombia Trade Promotion Agreement

Colombia is one of many developing countries that already enjoys duty-free access to the U.S. market for the majority of its exports through trade preference programs. Developing countries often have high tariff and non-tariff barriers to U.S. exports and impose restrictions on U.S. businesses. Free trade agreements like the U.S.- Colombia TPA not only reduce barriers to U.S. trade, but also require important reforms to the domestic legal and business environments that are key to encouraging business development and investment. Such reforms include providing greater transparency for government actions such as rule making, anti-corruption measures and other steps to strengthen the rule of law, improving the protection and enforcement of intellectual property rights, and providing clear guidance on customs matters.

Moving from One-Way Preferences to Reciprocity

Today, 91 percent of imports from Colombia into the United States benefit from duty free treatment either on an MFN basis or through U.S. unilateral preference programs such as the Andean Trade Preferences Act (ATPA) and the Generalized System of Preferences (GSP). Colombia's tariffs on most imports from the United States range from 5 to 15 percent with some as high as 35 percent.

The U.S.-Colombia TPA moves beyond one-way preferences to full partnership and reciprocal commitments under which U.S. exports also benefit from duty free treatment.

Expanding Economic Opportunities for U.S. Manufacturers, Workers, and Farmers

Colombia is a free market economy with growing commercial and investment ties to the United States. Between 2003 and 2007, U.S. exports to Colombia grew 128 percent from \$3.7 billion in 2003 to \$8.5 billion in 2007, outperforming overall U.S. export growth, which was 60 percent for the same period. The market access and trade disciplines provided by the Agreement offer an opportunity to further expand U.S. exports to a region that is already seeing high export growth rates. In 2007, U.S.-Colombia total trade amounted to \$18 billion and Colombia was our 26th largest export market. In Latin America, Colombia is the United States' fourth largest trading partner, behind Mexico, Brazil and Venezuela. After Canada and Mexico, Colombia is already the largest export market for U.S. farm products in the hemisphere. A U.S. International Trade Commission study estimates that U.S. exports to Colombia will be \$1.1 billion higher once the U.S.-Colombia TPA is fully implemented.

The United States is already the leading source of Colombia's imports with a 25 percent market share. Despite Colombia's close proximity to other competitive Latin American economies such as Brazil, Argentina and the rest of the Andean group, the high quality and wide selection of competitively priced U.S. products will provide U.S. exporters with a distinctive edge, one which will be enhanced under the tariff elimination provisions of the agreement.

Just as bilateral trade is poised to grow under the U.S.-Colombia TPA, so is U.S. investment in the Colombian market. At least 250 American companies today operate in nearly every sector of the Colombian economy. The stock of U.S. foreign direct investment (FDI) in Colombia in 2006 was approximately \$4.89 billion, mainly in the natural gas, coal mining, chemical, and manufacturing industries. Overall, Colombia

attracted over \$7.57 billion in foreign direct investment in 2007, Colombia's second highest total ever and almost 20 percent higher than in 2006.

Unlike many of its neighbors, Colombia has not suffered any dramatic economic collapses in recent years. In fact, Colombia's economic growth has averaged 5.2% annually since 2002, reaching 8 percent in the first quarter of 2007 (the highest in Colombian history). The economy continues to improve thanks to austere government budgets, focused efforts to reduce public debt levels, an export-oriented growth strategy, and an improved security situation in the country. Several international financial institutions have praised the economic reforms introduced by President Uribe, which have succeeded in reducing the public-sector deficit below 1.5 percent of GDP. The Uribe Administration's economic policy and democratic security strategy have engendered a growing sense of confidence in the economy, particularly within the business sector.

In a region that suffers from frequent instability, the Government of Colombia has demonstrated a commitment to steady economic growth, democratic principles and close cooperation with the U.S. on counter-narcotics enforcement. With the U.S.-Colombia TPA, Colombia will offer a more stable investment climate, more reliable access to international arbitration if disputes do arise and a vibrant market for U.S. exports for years to come.