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

New Mexico

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 New Mexico'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.

New Mexico Depends on World Markets

New Mexico's export shipments of merchandise in 2007 totaled $2.6 billion, up 11 percent from the 2003 level of $2.3 billion.

New Mexico's merchandise exports to Colombia in 2007 totaled $2.8 million, a 265 percent increase since 2006.

Exports Support Jobs for New Mexico's Workers – Export-supported jobs linked to manufacturing account for an estimated 7.4 percent of New Mexico's total private-sector employment. Over one-fifth (22 percent) of all manufacturing workers in New Mexico depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Hundreds of New Mexico's Businesses – A total of 818 companies exported from New Mexico locations in 2005. Of these, 685 (84 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

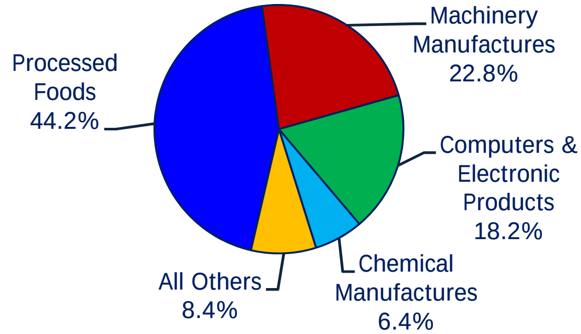
New Mexico's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated 7 percent of New Mexico'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.

New Mexico Exported $2.8 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 New Mexico's Exports

Computers and Electronic Products – New Mexico's leading merchandise export is computers and electronic products, accounting for 64 percent ($1.7 billion) of New Mexico's total merchandise exports in 2007. The U.S.-Colombia TPA improves market access for New Mexico'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 in this sector currently face Colombian tariffs that average 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.

Transportation Equipment – New Mexico's global exports of transportation equipment topped $193 million in 2007. New Mexico'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.

Machinery Manufactures – New Mexico companies exported $132 million in machinery manufactures in 2007 and 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, 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.

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

In 2006, New Mexico's agricultural exports to the world were estimated at $248 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 New Mexico farm products such as dairy, beef, and pecans, 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 New Mexico's Exporters

In the first four years (2004–2007) of the U.S.-Chile FTA, New Mexico's exports to Chile have increased by more than 565 percent, and for the first two years of the U.S.-Morocco FTA, the state's exports to Morocco increased 2,942 percent. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, New Mexico's combined exports to Canada and Mexico have grown by 436 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.