INTERNATIONAL TRADE ADMINISTRATION

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

Maryland

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 Maryland'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.

Maryland Depends on World Markets

Maryland's export shipments of merchandise in 2007 totaled $8.9 billion, up 81 percent from the 2003 total of $4.9 billion.

In 2007, Maryland's export shipments of merchandise to Colombia totaled $34 million, up 194 percent from 2003.

Exports Support Jobs for Maryland's Workers – Export-supported jobs linked to manufacturing account for an estimated 2.0 percent of Maryland's total private-sector employment. Over one-ninth (11.7 percent) of all manufacturing workers in Maryland depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Thousands of Maryland's Businesses – A total of 3,575 companies exported goods from Maryland locations in 2005. Of those, 3,066 (86 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

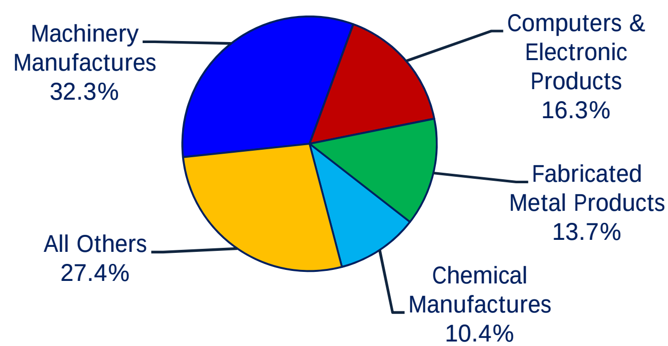
Maryland's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated over one-quarter (27 percent) of Maryland'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.

Maryland Exported $34.0 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 Maryland's Exports

Transportation Equipment – Transportation equipment was a leading global export for Maryland in 2007, totaling $2.0 billion. The state's exports of these products jumped 92 percent from 2003 to 2007. Maryland'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 – Computers and electronic products are another top Maryland export, valued at $1.4 billion in 2007. These products accounted for 16 percent of Maryland's global exports in 2007. The U.S.-Colombia TPA improves market access for Maryland'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.

Chemical Manufactures – In 2007, Maryland's global exports of chemical manufactures totaled $1.5 billion, a 76 increase over 2003. 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.

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

In 2006, Maryland's agricultural exports to the world amounted to $313 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 Maryland farm products such as poultry, dairy, and soybeans, 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 Maryland's Exporters

In the first three years of the U.S.-Australia FTA (2005-2007), Maryland's exports to Australia have grown 153 percent. In the last three years, Maryland's exports to the DR-CAFTA region have grown 96 percent and since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Maryland's combined exports to Canada and Mexico have grown by 66 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.