



INTERNATIONAL
TRADE
ADMINISTRATION

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

South Dakota

www.export.gov/fta/colombia/state

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

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

South Dakota Depends on World Markets

South Dakota's export shipments of merchandise in 2007 totaled \$1.5 billion, up 124 percent (\$834 million) from 2003. This was the sixth largest percentage gain among the states. By comparison, the total U.S. increase in merchandise exports over this period was 61 percent.

South Dakota exported \$2.2 million in merchandise to Colombia in 2007, an increase of 897 percent since 2003.

Exports Support Jobs for South Dakota's Workers – In 2005, export-supported jobs linked to manufacturing accounted for an estimated 3.1 percent of South Dakota's total private-sector employment. Over one-ninth (11.9 percent) of all manufacturing workers in South Dakota depend on exports for their jobs. (2005 data are the latest available.)

Exports Sustain Hundreds of South Dakota's Businesses – A total of 492 companies exported goods from South Dakota locations in 2005. Of those, 411 (84 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

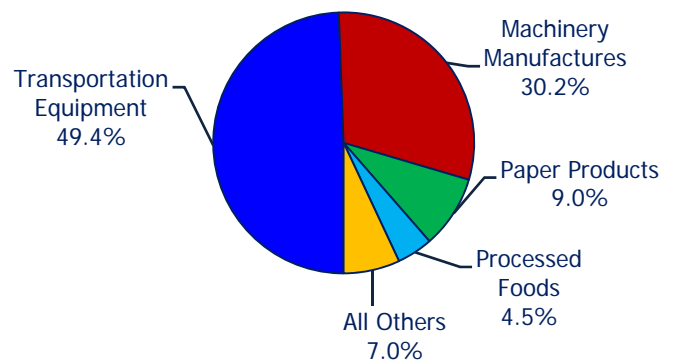
South Dakota's SMEs Will Benefit from U.S.-Colombia TPA Provisions

SMEs generated 36 percent of South Dakota's total exports of merchandise in 2005, well above the national average of 29 percent. 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 and 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.

South Dakota Exported \$2.2 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 South Dakota's Exports

Computers and Electronic Products – In 2007, South Dakota's global exports of computers and electronic products totaled \$408 million, making it the state's largest manufactured export category. The U.S.-Colombia TPA improves market access for South Dakota'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.

Processed Foods – South Dakota's global exports of processed foods accounted for \$388 million in 2007, a 117 percent increase from 2003 to 2007. These products account for 26 percent of the state's total merchandise exports. The U.S.-Colombia TPA, upon entry into force, will stimulate new opportunities for U.S. businesses in this sector. Colombia is a growing market for consumer-oriented foods. The U.S.-Colombia TPA will enhance these opportunities by eliminating tariff and non-tariff barriers that currently hamper exports of U.S. food and consumer products to Colombia. Excellent prospects in this sector include mechanically de-boned chicken meat, breakfast cereals, beer, pet food, and assorted snack foods. Food, beverage, and consumer products currently face Colombian tariffs ranging from 5 to 20 percent.

Machinery Manufactures – Machinery manufactures accounted for \$201 million of South Dakota's global exports in 2007. South Dakota's exports of these products have increased 161 percent during the 2003 to 2007 period. South Dakota'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.

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

In 2006, South Dakota's agricultural exports to the world were estimated at \$1.2 billion (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 agriculture products, including key South Dakota farm products such as soybeans, feed grains 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 South Dakota's Exporters

Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, South Dakota's combined exports to Canada and Mexico have grown by 560 percent. Since the entry into force of the U.S.-Australia agreement in 2005, the state's exports to Australia have grown 290 percent. In the last three years (2005-2007), South Dakota's exports to the DR-CAFTA countries have grown 244 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.