INTERNATIONAL
TRADE
ADMINISTRATION

The U.S.-Colombia Trade Promotion Agreement
Opportunities for the U.S. Machinery Sector

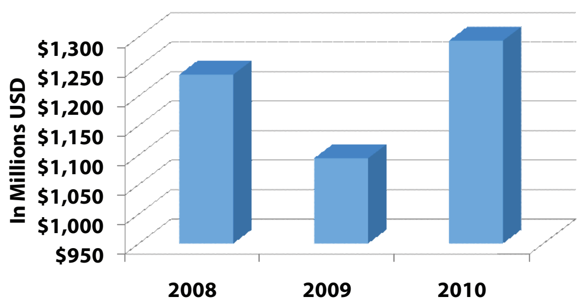
The U.S.-Colombia Trade Promotion Agreement would provide significant commercial opportunities for U.S. exporters:

- Colombia is the 15th largest market for U.S. machinery exports.
- Estimated duties paid on exports of U.S. machinery to Colombia were over $365 million from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and production improvements.
- More than 70 percent of U.S. machinery exports to Colombia would receive duty-free treatment within five years of implementation of the U.S.-Colombia Trade Promotion Agreement; Colombian machinery tariffs currently average 9.4 percent, ranging up to 20 percent.

Machinery Sector Overview

- The machinery sector accounted for over $1.2 billion in U.S. exports to Colombia over 2008-10 (average) or 13.3 percent of total U.S. industrial exports to Colombia.[1]
- Top U.S. machinery exports to Colombia include parts of liquid pumps, air pumps and compressors, lifting machinery, valves, and machinery parts.
- In 2009, U.S. production of machinery products was over $293 billion.[2]
- The U.S. machinery sector, as defined, employed over 500,000 workers in 2009.[3]
- U.S. SMEs exported approximately $765 million in machinery products to Colombia in 2008 and made up an estimated 85 percent of all U.S. firms in the sector exporting to Colombia in that year.[4]

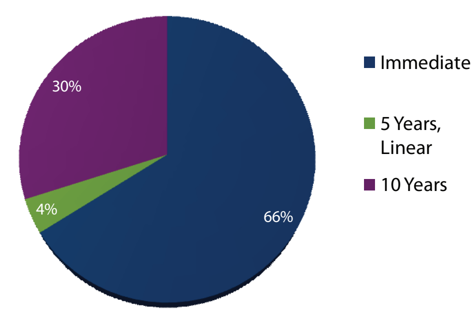
U.S. Machinery Exports to Colombia Averaged $1208.1 Million



Improved Market Access for U.S. Machinery Exporters to Colombia

- Colombian machinery tariffs currently average 9.4 percent, ranging from zero to 20 percent.
- Over 66 percent of U.S. machinery exports to Colombia would receive duty-free treatment immediately upon implementation of the trade agreement.[5]
- Tariffs on an additional 4 percent of machinery exports to Colombia would be eliminated over five years and tariffs on the remaining 30 percent of machinery exports would be eliminated in equal cuts over ten years.

70% of U.S. Machinery Exports to Colombia Would be Duty-Free Within 5 Years



Selected Sub-Sectors:

- **Energy Equipment:** Colombia would eliminate its tariffs on 52 percent of U.S. energy equipment exports immediately upon implementation of the trade agreement. Tariffs on an additional 6 percent of exports would be eliminated over five years, and tariffs on the remaining 42 percent of exports would be eliminated over ten years.

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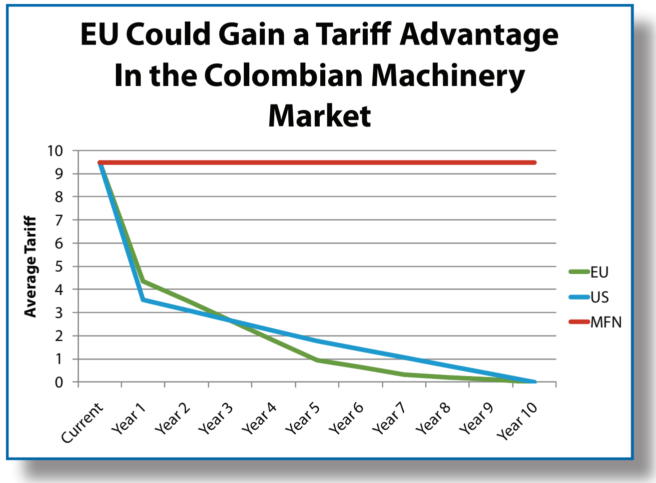
1 Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Colombia. The definition for machinery used in this report, unless otherwise cited, is based on products within Harmonized System (HS) Chapters 73, 82-85, 87, and 89-91.
2 U.S. Department of Commerce, U.S. Census Bureau, within NAICS 331-335. Shipments used as a best available proxy for production.
3 U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 331-335 (non-seasonally adjusted data).
4 U.S. Department of Commerce, U.S. Census Bureau, NAICS 333.
5 Data based on three-year average for 2008-2010.

- **Hand & Power Tools:** Colombia would eliminate its tariffs on 36 percent of U.S. tool exports immediately upon implementation of the trade agreement. Tariffs on an additional 30 percent of exports would be eliminated over five years, and tariffs on the remaining 34 percent of exports would be eliminated over ten years.



Key States Exporting to Colombia

- Top U.S. states exporting machinery to Colombia include: Florida, Texas, Ohio, California, Pennsylvania, Illinois, Wisconsin, New York, Alabama, and Oklahoma.[6]

Foreign Competition in Colombian Market

- Colombia signed trade agreements with both the EU and Canada in November, 2008. Additionally, Colombia has FTAs in force with the rest of the Andean Community, Chile, Mexico, El Salvador, Guatemala, and Honduras. Colombia grants some preferential access to MERCOSUR, CARICOM, Costa Rica, Nicaragua, and Panama.
- Upon implementation of its agreement, EU machinery exporters would enjoy a 5.1 percent average tariff advantage over U.S. exports. However, if the U.S.-Colombia TPA is implemented at the same time, U.S. exports would have an immediate 0.8 percent average tariff advantage over the EU.[7]

Other Key Commitments by Colombia for the Machinery Sector

Rules of Origin:

The U.S.-Colombia Trade Promotion Agreement rules of origin allow only U.S. and Colombian originating goods to receive preferential tariff treatment under the Agreement. The trade agreement rules of origin provide clear requirements for a good to be considered originating, including on goods wholly obtained or produced entirely in the territory of the United States or Colombia, as well as requirements on materials that are used in the production of the good.

Investment:

The U.S.-Colombia Trade Promotion Agreement establishes a strong and predictable legal framework for U.S. investors for all forms of investment. Under the Agreement, Colombia will provide U.S. investors substantive protections and due process rights that are consistent with U.S. legal principles and practice. The Agreement establishes an impartial dispute settlement mechanism for investors to pursue damages for breaches of these protections.

Government Procurement:

The government procurement provisions of the U.S.-Colombia Trade Promotion Agreement guarantee non-discriminatory access to the procurements of most Colombian central government entities, including all key ministries and significant state-owned enterprises, as well as Colombia's regional governments. The Agreement also imposes strong disciplines on government procurement procedures, such as requiring advance public notice of purchases and provision of information to all interested suppliers, regarding covered procurement opportunities, as well as timely and effective domestic review procedures.

6 U.S. Department of Commerce, U.S. Census Bureau.

7 U.S. Department of Commerce calculations based on EU-Colombia FTA and U.S.-Colombia Trade Agreement tariff commitments and Colombian 2010 Tariff Schedule.