COMMITTEE ON WAYS AND MEANS
CHAIRMAN DAVE CAMP

U.S.-Colombia Trade Promotion Agreement
Will Bring New Opportunities and Level the Playing Field for U.S. Exporters

- **Colombia is a large and key market**: Colombia's $430 billion GDP (in purchasing power parity) and five percent growth made it the fifth-largest Latin economy and 20th largest U.S. export market in 2010. Colombia is also:
    - Third-largest U.S. export market in Latin America in 2010, behind only Mexico and Brazil.
    - Historically, the largest U.S. agricultural export market in Latin America, ***but*** Colombia has now fallen to second after U.S. agricultural exports declined by over $1 billion between 2008 and 2010 – thanks to a sharp loss in the United States' share of the Colombian market to countries that have trade agreements already in force with Colombia.
- **The agreement levels the playing field for U.S. exports versus imports from Colombia**: The agreement will not measurably increase U.S. imports because most imports from Colombia are already duty-free, though Colombia's duty-free treatment has been interrupted since February 13, when the Andean Trade Preference Act (ATPA) expired:
    - More than 99 percent of total Colombian exports to the United States are already duty-free (measured by tariff line).
    - More than 89 percent of Colombian agriculture exports to the United States are already duty-free (measured by tariff line).
    - The average tariff paid by imports from Colombia in 2009 was less than one percent.
    - In contrast, the average tariff paid by U.S. exports to Colombia was 11.2 percent.
- **Increases exports, lowers the trade deficit, and stimulates U.S. economic growth:** Because the Agreement lowers barriers to U.S. exports while making little change to how Colombian exports are treated, there will be much larger increases in U.S. exports than in U.S. imports.
    - An analysis by the U.S. International Trade Commission (ITC) estimates that U.S. exports to Colombia will increase by $1.1 billion, while imports will increase by less – $487 million.
    - The ITC determined that the Agreement will add $2.5 billion per year to U.S. GDP.
- **New market access for U.S. exports of consumer and industrial products:** Over 80 percent of U.S. exports of consumer and industrial products to Colombia will become duty-free immediately, with remaining tariffs phased out over ten years.
    - The agreement reduces the average tariff faced by U.S. exporters by more than 68 percent, from 11.2 percent to 3.6 percent immediately upon implementation of the agreement.
    - The agreement provides U.S. firms with an advantage over major competitors in Europe and Asia. Key U.S. export sectors receive immediate duty free treatment, including: aircraft, construction equipment, fertilizers, and medical and scientific equipment.

- **New opportunities for U.S. farmers and ranchers:** Currently all U.S. agriculture exports to Colombia face tariffs. Upon implementation of the agreement, 77.5 percent of Colombia's tariff lines will become duty-free for U.S. exports.
    - U.S. agriculture exports to Colombia currently face an average tariff of 20 percent. Once the agreement is in place, almost 93 percent of Colombia's agriculture tariff lines will be duty-free within ten years.
    - The agreement gives U.S. farmers duty-free access for American exports of soybeans, cotton, wheat, and most fresh fruit. U.S. exports of these products are already suffering because, while the U.S.-Colombia agreement has languished, major competitors in Argentina and Brazil have already implemented an agreement with Colombia. Canada implemented its agreement on August 15, 2011, putting American farmers at an even bigger competitive disadvantage. In fact, Colombia's largest wheat importer recently announced its switch from U.S. to Canadian wheat, and other U.S. products are also now at a disadvantage.
    - The American Farm Bureau estimates that the increase in U.S. farm exports to Colombia as a result of the agreement could exceed $370 million per year,.
- **Promotes science-based Sanitary and Phytosanitary (SPS) Measures:** As part of the negotiations, the United States and Colombia have worked to resolve SPS barriers to agricultural trade.
    - Colombia has lifted unscientific BSE-related restrictions on U.S. exports.
    - Colombia will recognize the equivalence of the U.S. food safety system for meat, poultry, and processed foods.
- **Improved U.S. access to Colombian services markets:** The Agreement will provide U.S. service firms with market access, national treatment, and regulatory transparency that exceed that afforded by the WTO General Agreement on Trade in Services (GATS).
    - U.S. service firms will gain greater access in key Colombian markets, including eliminating important restrictions on the ability of U.S. firms to compete on a level playing field in engineering, energy, cable television, and financial services markets.
    - Estimates by the ITC show that Colombia's barriers in banking services will be reduced by more than half, giving U.S. companies a significant advantage over their competitors.
- **Promotes textiles and apparel trade:** By immediately eliminating all tariffs on U.S. trade with Colombia in textiles and apparel that meet the Agreement rules of origin, the Agreement will improve the competitiveness of the U.S. industry.
    - Colombia already receives extensive duty-free benefits under ATPA for many U.S. imports of Colombian apparel, so its access to the U.S. market is already liberalized, although those benefits are currently interrupted because ATPA expired on February 13, 2011.
    - The ITC reports that the agreement will result in an increase in U.S. exports of fabric, yarn, and other textiles to Colombia for use in its apparel industry.
    - The agreement does <u>not</u> allow the use of third-country fabrics through a trade preference level (TPL), so Chinese and other third-country inputs will not obtain increased access to the U.S. market.