

US Colombia Agreement Background Information

History of the Agreement

- May 2004, United States initiated free trade agreement negotiations with Colombia, Peru, and Ecuador. The United States concluded negotiations with Colombia in February 2006 and the CTPA was signed on November 22, 2006.

Process in the U.S:

- President Bush sent legislation to implement the U.S.-Colombia Trade Promotion Agreement to Congress for its approval on April 7, 2007. It was not approved before the end of President Bush's term in January, 2009.
- President Obama asked U.S. Trade Representative to address outstanding issues in the agreement; has adversely affected bilateral relations between the two nations.
- On October 12, 2011 after renegotiating parts of the agreement, it was passed by the House 262-167 and the Senate 66-33. Trade Adjustment Assistance (TAA) was also included in the bill.

Process in Colombia:

- The agreement became public law on July 4, 2007. The agreement was deemed to conform to the Colombian Constitution by Colombia's Constitutional Court in July 2008.

US- Colombia Trade

- Before FTA U.S. average tariff on Colombian goods was 3%, while Colombia's average tariff on U.S. goods was 12.5%. In 2010, about 90% of U.S. imports from Colombia came into the country duty-free under trade preference programs or through normal trade relations.¹
- The United States is Colombia's leading trade partner. (31 %), 2. EU (16 %) 3. China (7 %) Colombia accounts for a very small percentage of U.S. trade (1% in 2013), ranking 31st among U.S. export markets and 33rd among foreign exporters to the United States.²
- FTA with the EU came in to effect on July 1st, 2013. Germany is the top trading partner for Colombia within the EU.

¹ <https://www.fas.org/sgp/crs/row/RL34470.pdf>

² <https://www.fas.org/sgp/crs/row/RL34470.pdf>

Table 3. U.S. Trade in Goods with Colombia in 2013

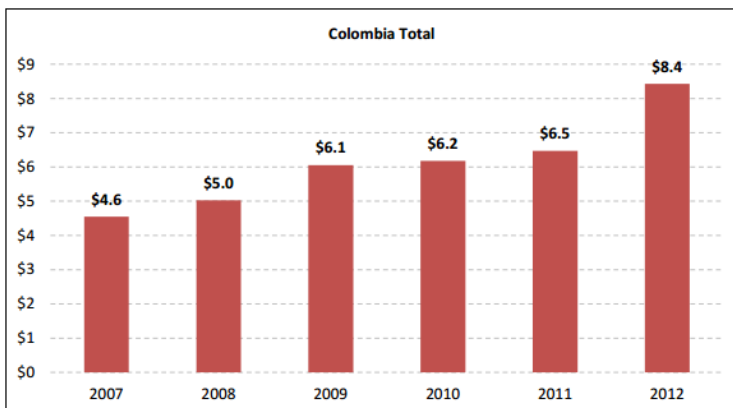
U.S. Domestic Exports ^a			U.S. Imports for Consumption ^b		
Leading Items (NAIC 4 Digit Level)	\$ Millions	Share	Leading Items (NAIC 4 Digit Level)	\$ Millions	Share
Petroleum and coal products	5,463.0	33%	Oil and gas	13,133.8	61%
Basic chemicals	1,225.6	7%	Nonferrous metal	2,281.2	11%
Agriculture and construction machinery	836.5	5%	Petroleum and coal products	1,309.9	6%
Resin, synthetic rubber and related products	587.7	4%	Fruits and tree nuts	1,133.2	5%
Aerospace products and parts	529.5	3%	Mushrooms, nursery and related products	668.0	3%
All other	7,839.8	48%	All other	2,838.1	13%
Total exports	16,482.1	—	Total imports	21,364.2	—

Source: Compiled by CRS using USITC Interactive Tariff and Trade DataWeb at <http://dataweb.usitc.gov>.

US- Colombia Investment

- U.S. foreign direct investment in Colombia totaled \$8.4 billion in 2012, up from \$6.5 billion in 2011 and \$6.2 billion in 2010. mining, 40.7%, or \$2.8 billion, of total U.S. FDI in Colombia. The second-largest amount, \$1.9 billion (27.7% of total), was in manufacturing, followed by \$630 million in finance and insurance (9.2% of total).³ The U.S.-Colombia FTA is expected to improve investor confidence in Colombia and will likely increase the amount of U.S. FDI in the country. Investors from other countries would also be expected to increase investment in Colombia as the FDI environment improves. The stock of U.S. FDI in Colombia increased by 30% in 2012.⁴

Figure 2. U.S. Foreign Direct Investment in Colombia
Historical-cost Basis



Source: Bureau of Economic Analysis, International Economic Accounts.

³ <https://www.fas.org/sgp/crs/row/RL34470.pdf>

⁴ <https://ustr.gov/countries-regions/americas/colombia>

Debate surrounding the Agreement

From the US Perspective

On the Hill

- The congressional debate surrounding the CFTA mostly centered on violence, labor, and human rights issues in Colombia. There were many Members of Congress who opposed passage of the agreement due to concerns about alleged targeted violence against union members in Colombia, inadequate efforts to bring perpetrators to justice, and weak protection of worker rights. However, those who supported the agreement took issue with these charges, maintain that Colombia made great progress over the last 10 years to curb violence and enhance security. They further argued that U.S. exporters were losing market share of the Colombian market and that the agreement would open the Colombian market for U.S. goods and services.

US Business

- The U.S. business community was seen to be generally supportive of the FTA with Colombia as it was seen as an opportunity to increase U.S. exports to Colombia. U.S. exporters urged policymakers to move forward with the agreement, arguing that the United States was losing market share of the Colombian market, especially in agriculture, as Colombia entered into FTAs with other countries.⁵
- Negotiations with the European Union. U.S. business community maintained that if Colombia's trade accords with other countries are implemented before the U.S.-Colombia TPA comes into effect, U.S. exporters would face an average tariff of over 9 percent while many products from these other countries will enter Colombia duty free.⁶

Unions

Labor unions remained strongly opposed to the agreement. They argued that Colombia's labor movement was under attack through violence, intimidation, and harassment, as well as legal challenges.

Critics

⁵ <http://fpc.state.gov/documents/organization/190033.pdf>

⁶ <http://fpc.state.gov/documents/organization/190033.pdf>

Criticism surrounding the US-Colombia FTA centered largely on agriculture and IPR. Agricultural provisions within the trade agreement force Colombian farmers to compete against heavily subsidized US products.ⁱ These critics claimed that results would be devastating for local agriculture. An Oxfam Reportⁱⁱ estimated that the average income of 1.8 million grossly under-protected small farmers will fall by 16 percent. The study concluded that 400,000 farmers who now live below the minimum wage will see their incomes drop by up to 70 percent and will thus be forced out of their livelihoods.ⁱⁱⁱ In 2004, Colombia's Ministry of Agriculture said that a trade agreement without adequate agricultural protections would leave rural Colombians with "no more than three options: migration to the cities or to other countries...working in drug cultivation zones, or affiliating with illegal armed groups."^{iv}

From the Colombian Perspective

Colombian Government

For Colombia, an FTA with the United States had been part of its overall economic development strategy.

Labor Unions

The position of Colombian labor unions on the U.S.-Colombia FTA was mixed, with some unions in favor. Other Colombian union representatives, however, many of whom are government employees, spoke out against the agreement. They argued that an FTA would interfere with the Colombian government's right to govern the country, and that it would have a negative effect on Colombia's agriculture sector and the economy in general.⁷

The Provisions of the Agreement

It was predicted that the U.S.-Colombia trade agreement will expand U.S. goods exports alone by more than \$1.1 billion and increase U.S. GDP by \$2.5 billion while supporting thousands of additional U.S. jobs. The Agreement also provides significant new access to Colombia's \$166 billion services market, supporting increased opportunities for U.S. service providers.⁸

Benefits of the Agreement include:

- ***Expanded Access to Services Markets⁹:***
Colombia **agreed to eliminate measures that prevented U.S. firms from hiring U.S. professionals, and to phase-out market restrictions in cable television.** Colombia also agreed to provide improved access for U.S. suppliers of portfolio management services.

⁷ <https://www.fas.org/sgp/crs/row/RL34470.pdf>

⁸ <http://export.gov/colombia/doingbusinessincolombia/investingincolombia/index.asp>

⁹ <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2012/april/benefits-us-colombia-trade-promotion-agreement-more-ame>

- **Greater Protection for Intellectual Property Rights¹⁰:**
The Agreement provides improved standards for the protection and enforcement of a broad range of intellectual property rights, consistent with U.S. and emerging international standards of protection and enforcement. Such improvements **include requirements for IPR protections that are critical to protecting copyrighted works like music, movies, and software from piracy in the digital environment; requirements for strong, deterrent criminal penalties against copyright piracy and trademark counterfeiting.**
- **Commitments to Protect Labor Rights¹¹:**

The agreement included a commitment to adopt and maintain in their laws and practice the five fundamental labor rights, as stated in the 1998 ILO Declaration on Fundamental Principles and Rights at Work. Labor obligations are subject to the same dispute settlement and enforcement mechanisms as commercial obligations. an agreed **Colombian Action Plan Related to Labor Rights.**

- passed legislation criminalizing interference in the exercise of labor rights;
 - secured legislation establishing a separate labor ministry;
 - advanced by over two years severe fines for maintaining employment, relationships that undermine worker rights,
 - launched the doubling of its labor inspectorate;
 - expanded and improved its protection programs for union members; and
 - begun reforming the Prosecutor General’s procedures to more effectively prosecute cases of unionist homicides.
- **Commitments to Protect the Environment¹²:**
Both parties also commit to effectively enforce their own domestic environmental laws and adopt, maintain and implement laws, regulations, and all other measures to fulfill obligations under covered multilateral environmental agreements. Environmental obligations are subject to the same dispute settlement and enforcement mechanisms as commercial obligations.
 - **Fair and Open Government Procurement¹³:** U.S. suppliers are granted rights to non-discriminatory treatment in bidding on procurement opportunities offered by a broad

¹⁰ <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2012/april/benefits-us-colombia-trade-promotion-agreement-more-ame>

¹¹ <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2012/april/benefits-us-colombia-trade-promotion-agreement-more-ame>

¹² <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2012/april/benefits-us-colombia-trade-promotion-agreement-more-ame>

range of Colombian government ministries, agencies, public enterprises, and regional governments. The Agreement requires the use of fair and transparent procurement procedures, such as advance notice of purchases and timely and effective bid review procedures.

- **A Level Playing Field for U.S. Investors¹⁴**: U.S. companies in Colombia are protected against discriminatory or unlawful treatment, and the Agreement provides a neutral and transparent mechanism for settlement of investment disputes.

Projected Economic Impact:

United States International Trade Commission (USITC) assessed the potential effects of a U.S.-Colombia FTA on the U.S. economy. The study found that, in general, the primary impact of an FTA with Colombia would be **increased U.S. exports** to Colombia as a result of enhanced U.S. access to the Colombian market. Major findings of the USITC study on **the likely effects of a U.S.-Colombia FTA on the U.S. economy**, should the agreement be fully implemented, include the following¹⁵:

- **U.S. exports to Colombia would increase by \$1.1 billion (13.7%) and U.S. imports from Colombia would increase by \$487 million (5.5%).**
- U.S. GDP would increase by over \$2.5 billion (less than 0.05%) in chemical, rubber, and plastic products; machinery and equipment; and motor vehicles and parts, rice and dairy products. imports from Colombia, in sugar and crops, dairy products and sugar.
- On an industry level, the FTA would result in minimal to no effect on output or employment for most sectors of the U.S. economy.

What we know so far...

The **U.S.-Colombia Trade Promotion Agreement took effect on May 15, 2012**. Colombia is a **growing market** for U.S. exporters. Colombia's economy is the third largest in Central and South America. As a result of the Agreement, **80 percent of U.S. consumer and industrial goods exports to Colombia are no longer subject to tariffs.**¹⁶

Between June 2012 and February 2013, compared to the previous year, **two-way trade** accounted for \$28.5 billion, **an increase of five percent**. During that period of time, **U.S. exports to Colombia increased 20 percent**, including significant increases in oil and derivatives, aircraft

¹³ <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2012/april/benefits-us-colombia-trade-promotion-agreement-more-ame>

¹⁴ <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2012/april/benefits-us-colombia-trade-promotion-agreement-more-ame>

¹⁵ <http://www.usitc.gov/publications/332/pub3896.pdf>

¹⁶ <http://www.colombiaemb.org/sites/default/files/ColombiaTradeHTML051513.pdf>

and parts, electric machinery, iron and steel products, cereals, soybean products and pharmaceutical products – accounting for \$11.4 billion. U.S. agricultural exports alone increased by 68 percent.¹⁷

Colombian exports to the United States accounted for \$17.1 billion, and 57 percent of total Colombian exports benefited from the FTA – including 33 percent of agricultural exports. In addition, nearly 1,000 exports that did not benefit from one-way trade preferences under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) are now covered under the FTA. These exports – sugar, confectionery goods, textiles, tuna and dairy products, among others – increased by 185 percent increase since the entry into force of the FTA.¹⁸

Economic studies estimate that, upon full implementation, the impact on the United States would be positive but very small due to the small size of the Colombian economy when compared to that of the United States (about 2.2%).¹⁹

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ⁱ <http://www.thenation.com/article/174589/horrific-costs-us-colombia-trade-agreement>

ⁱⁱ <http://www.oxfamamerica.org/explore/research-publications/impact-of-the-us-colombia-fta-on-the-small-farm-economy-in-colombia/>

ⁱⁱⁱ <http://www.oxfamamerica.org/explore/research-publications/impact-of-the-us-colombia-fta-on-the-small-farm-economy-in-colombia/>

^{iv} <http://www.thenation.com/article/174589/horrific-costs-us-colombia-trade-agreement>

¹⁷ <http://www.colombiaemb.org/sites/default/files/ColombiaTradeHTML051513.pdf>

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¹⁹ <https://www.fas.org/sgp/crs/row/RL34470.pdf>