



FACT SHEET

U.S.-Colombia Trade Promotion Agreement Overall Agriculture Fact Sheet February 2008

The U.S.-Colombia Trade Promotion Agreement (CTPA) is a key building block in the U.S. strategy to advance free trade within the hemisphere. The agreement achieves two key trade objectives for the United States: it makes agricultural trade a two-way street, and it levels the playing field with respect to third country competitors in the Colombian market.

Upon implementation of the CTPA, U.S. exporters will receive immediate duty-free treatment on products accounting for more than half the value of current trade. Currently, no U.S. agricultural exports enjoy duty-free access to Colombia. In contrast, over 99.9 percent of Colombia's current exports already receive duty-free treatment into the U.S. market under the Andean Trade Promotion and Drug Eradication Act (ATPDEA), legislation passed through the Congress in 2002 and reauthorized through December 31, 2008.

Most Colombian applied tariffs range from 5 percent to 20 percent for agricultural products, and in many cases these tariffs restrict U.S. exports. Moreover, there is no assurance that Colombia will not raise tariffs to its permitted World Trade Organization (WTO) limits (or tariff bindings), which range from 15 percent up to 388 percent.

Under the CTPA, Colombia will immediately eliminate its price band system, which affects over 150 products, including corn, rice, wheat, oilseeds and products, dairy, pork, poultry, and sugar. Under the current price band system, the tariffs on these products vary with world prices and may reach up to Colombia's WTO bound rates.

Key Elements of the Agreement

Market Access. No products are excluded from the CTPA. Liberalization of Colombia's market will occur through tariff elimination for all commodities combined with zero-duty, tariff-rate quotas (TRQ) on commodities for which tariff elimination takes place over longer periods. The agreement immediately eliminates Colombia's use of Andean Price Bands (variable tariffs), thereby ensuring that Colombia stops applying high duties resulting from the application of this mechanism. The United States will receive equal or preferential treatment vis-à-vis third party competitors on all key products under the agreement.

Tariff Elimination. Colombia currently applies some tariff protection on all agricultural products. Under the CTPA, tariff phase-outs range from immediate duty-free access to a maximum phase-out of 19 years. Tariffs on 77 percent of all agricultural tariff lines, accounting for over 52 percent of current trade by value, will be eliminated on entry into force of the agreement. Colombia will eliminate most other tariffs within 15 years, including many within the first 5 years. As a general rule, virtually all tariffs will be reduced in equal annual installments over the agreed phase-out period, with the first tariff cut made on entry-into-force of the agreement.

Tariff-Rate Quotas (TRQs). For some products with longer tariff phase-outs, immediate duty-free market access will be provided through the creation and annual expansion of TRQs (providing duty-free access for a specified quantity of imports). Annual TRQ growth is on a compound basis for U.S. agricultural exports.

Safeguards. The CTPA includes volume-based agricultural safeguards for a limited number of products covered by TRQs. The safeguard triggers are set as a percentage of the growing TRQ quantities. Increased tariffs resulting from the triggering of a safeguard can only be maintained for the remainder of the year they are invoked. The availability of using an agricultural safeguard expires when the tariff for that product has been phased-out.

Sanitary and Phytosanitary Measures. The United States and Colombia have worked to resolve sanitary and phytosanitary (SPS) barriers to agricultural trade. Colombia opened its market on October 27, 2006, to all U.S. beef and products, other than specified risk materials, from animals of any age. Additionally, Colombia is finishing up a science-based review of the U.S. surveillance and inspection system for poultry with the goal of allowing imports of poultry products from all states. Colombia also agreed to recognize the U.S. meat and poultry inspection system as equivalent to its own system. The United States and Colombia agreed to establish an SPS Committee to expedite resolution of technical issues.

Export Subsidies. The parties agreed not to use export subsidies on products shipped into each other's market except to compete with third party export subsidies.

Specific Products

Beef. In 2007, the United States exported \$386,000 of beef and beef products to Colombia. Colombia's WTO tariff bindings on beef range from 70 to 108 percent, with applied tariffs ranging from 5 to 80 percent. Under the CTPA, the United States secures immediate duty-free treatment on products most important to the U.S. beef industry: high quality, USDA Prime and Choice beef cuts. All other tariffs on beef and beef products will be eliminated within 15 years and earlier in a number of cases. For standard quality beef cuts, the agreement provides for immediate duty-free access through a 2,100-ton TRQ with a 5 percent annual growth. Colombia will phase-out the 80 percent out-of-quota tariff over 10 years after a 37.5 percent cut at the beginning of the first year of implementation. Additionally, the agreement establishes a 4,642-ton duty-free TRQ for beef variety meats (offals) with 5.5 percent annual growth. Colombia will phase-out the 80 percent out-of-quota tariff over 10 years with a 37.5 percent cut immediately upon implementation of the agreement. If imports

surge, Colombia will have the right to use safeguards during the implementation period on standard quality beef only.

The United States will establish a 5,250-ton beef TRQ with 5 percent growth as part of the agreement. The U.S. 26 percent out-of-quota tariff on beef will be phased out over 10 years. Additionally, if imports surge during the implementation period, the United States will have the right to use a volume-based safeguard that will impose higher tariffs on additional over-quota imports. Other U.S. beef tariffs on imports from Colombia are zero under the ATPDEA. The CTPA will continue the zero-duty treatment of these products.

Pork. In 2007, the United States exported \$6.6 million of pork and pork products to Colombia. Colombia's WTO tariff bindings on pork range from 70 to 108 percent. Colombia's applied tariff rates range from 20 to 30 percent on some products, while other products are subject to Colombia's price bands with tariffs ranging from zero percent up to the WTO bound rate, depending on world prices. The agreement provides for tariff phase-outs on most key pork products within 5 years, including immediate tariff elimination for bacon and pork skin. All other pork tariffs will be eliminated within 10 years.

Under the ATPDEA, U.S. tariffs on imports from Colombia currently are zero. The CTPA continues this zero-duty treatment.

Poultry. In 2007, the United States exported \$11.6 million of poultry and poultry products to Colombia. Colombia's WTO tariff bindings on poultry range from 70 to 209 percent. Colombia's applied tariff rates range from 5 to 20 percent on some products while other products are subject to Colombia's price bands with tariffs ranging from zero percent up to the WTO bound rate, depending on world prices. The United States secures a 27,040-ton TRQ at zero duty with 4 percent annual growth for chicken leg-quarters. Colombia will phase-out the out-of-quota tariff of 164.4 percent for fresh, chilled and frozen chicken leg-quarters and of 70 percent for processed chicken leg-quarters over 18 years with a grace period during the first 6 years. Colombia will have access to a safeguard on chicken leg-quarters in the event of an annual import surge during the 18-year tariff phase-out period.

Colombia will also establish a zero-duty, 412-ton TRQ with 3 percent annual growth for "spent fowl," typically post-production layers. The 45 percent above-quota tariff on spent fowl will be phased-out over 18 years. Colombia will have access to a safeguard on spent fowl in the event of an annual import surge during the 18-year implementation period.

The CTPA immediately eliminates tariffs on most other poultry products and on the rest within 10 years.

Under the ATPDEA, U.S. tariffs on imports from Colombia currently are zero. The CTPA continues this zero-duty treatment.

Dairy. In 2007, the United States exported \$6.6 million of dairy and dairy products to Colombia. Colombia's WTO tariff bindings on dairy products range from 70 to 159 percent, with applied tariffs on many products subject to price bands that can range up to the WTO bound rates. Two tariff lines for whey will be eliminated upon entry into force, while a third covering other milk protein concentrates will be phased out over 3 years. Additionally, U.S.

exporters will have access to six product-specific dairy TRQs, all at zero duty. All of the dairy TRQs will have duty-free quantities growing at a 10 percent annual growth rate over the transition period. A 5,500-ton TRQ is established for milk powder with an out-of-quota base tariff of 33 percent, phased out over 15 years. A 2,310-ton TRQ for various cheeses has out-of-quota tariffs of 20 and 33 percent, with these tariffs phased out over 15 years. Colombia will provide duty-free access for butter through a 550-ton TRQ and for ice cream through a 330-ton TRQ. Colombia will phase-out the butter out-of-quota tariff of 33 percent and the ice cream out-of-quota tariff of 20 percent over 11 years. Colombia will establish a 110-ton yogurt TRQ and phase-out the 20 percent tariff over 15 years. Finally, Colombia will establish a 1,100-ton processed dairy products TRQ and will phase-out the 20 percent tariff over 15 years. Colombia will immediately eliminate or phase-out over 5 years all other dairy tariffs.

The United States agreed to establish TRQs for cheese (5,060 tons, out-of-quota tariffs phased out over 15 years); butter (2,200 tons, out-of-quota tariffs phased out over 11 years); processed dairy products (2,200 tons, out-of-quota tariffs phased out over 15 years); ice cream (330 tons, out-of-quota tariff phased out over 11 years), and fluid milk and cream (110 tons, out-of-quota tariffs phased out over 11 years). Under CTPA, the United States will continue to provide zero-duty treatment to dairy product tariffs currently receiving zero-duty treatment under the ATPDEA.

Vegetables. In 2007, the United States exported \$1.6 million of fresh and processed vegetables and products to Colombia. Colombia's WTO tariff bindings on vegetables and products range from 70 to 102 percent, with applied tariff rates ranging from 5 to 20 percent. The United States obtains duty-free access on most vegetables and vegetable products in the CTPA with tariffs for almost all others phased out over 5 years.

Potatoes and Products. In 2007, the United States exported \$1.6 million of potatoes and products to Colombia. Colombia's WTO tariff bindings on potatoes and potato products range from 70 to 102 percent, with applied tariff rates ranging from 5 to 20 percent. All fresh potato tariff lines and almost all processed potato lines, including frozen fries, potato flakes, and potato chips, will receive immediate duty-free access to Colombia upon entry into force of the agreement.

Under the ATPDEA, U.S. tariffs on almost all vegetables and vegetable product imports from Colombia currently are zero. The CTPA continues its zero-duty treatment. All other tariffs will be phased out within 10 years.

Fruits and Tree Nuts. In 2007, the United States exported \$15.2 million of fruits and tree nuts to Colombia. Colombia's WTO tariff bindings on fruits and tree nuts range from 20 to 140 percent, with applied tariff rates ranging from 5 to 20 percent. The CTPA provides immediate duty-free access to Colombia for all U.S. fresh and processed fruits, including apples, grapes, cherries, pears, stone fruit, and citrus, as well as all fresh and processed tree nuts, such as almonds and pistachios.

Under the ATPDEA, U.S. tariffs on imports from Colombia currently are zero. The CTPA continues this zero-duty treatment.

Dry Peas, Beans and Lentils. In 2007, the United States exported \$3.5 million of dry peas, beans, and lentils to Colombia. Colombia's WTO tariff bindings on dry peas, beans and lentils range from 15 to 178 percent, with applied tariff rates ranging from 5 to 60 percent. Colombia will immediately eliminate tariffs on dried peas and dried lentils. It will also provide immediate duty-free access for dried beans through a 15,750-ton TRQ with 5 percent compound annual growth. Colombia will phase-out the out-of-quota tariff of 60 percent over 10 years using a non-linear staging formula that includes a 33 percent cut at the beginning of the first year.

Under the ATPDEA, U.S. tariffs on imports from Colombia currently are zero. The CTPA continues this zero-duty treatment.

Wheat and Barley. In 2007, the United States exported \$210 million of wheat and barley to Colombia. Colombia's WTO tariff bindings on wheat and barley range from 90 to 248 percent. Colombia's applied tariff rates range from 5 to 20 percent on some grain types with some subject to Colombia's price bands with tariffs ranging from zero percent up to the WTO bound rate, depending on world prices. Colombia's tariffs on all wheat and wheat products, as well as all barley and barley products, except feed barley, will be immediately eliminated. Tariffs on feed barley will be eliminated on January 1, 2009.

Under the ATPDEA, U.S. tariffs on barley imports from Colombia currently are zero. The CTPA continues this zero-duty treatment.

Feed Grains

Yellow Corn. In 2007, the United States exported \$500 million of yellow corn to Colombia. Colombia's WTO tariff binding on yellow corn is 194 percent with applied tariff rates subject to Colombia's prices band system under which tariffs range from zero percent up to the WTO bound rate, depending on world prices. Under the agreement, Colombia will provide immediate duty-free access through a 2.1-million ton TRQ with 5 percent annual growth. Colombia will phase-out the out-of-quota tariff of 25 percent over 12 years.

White Corn. In 2007, the United States exported \$16 million of white corn to Colombia. Colombia's WTO tariff binding on white corn is 194 percent with the applied tariff rate subject to Colombia's price band system under which tariffs range from zero percent up to the WTO bound rate, depending on world prices. Under the agreement, Colombia will provide immediate duty-free access through a 136,500-ton TRQ with 5 percent annual growth. Colombia will phase-out the out-of-quota tariff of 20 percent over 12 years.

Sorghum. In 2007, the United States exported \$61,000 of sorghum to Colombia. Colombia's WTO tariff binding on sorghum is 132 percent with the applied tariff rate subject to Colombia's price band system under which tariffs range from zero percent up to the WTO bound rate, depending on world prices. Under the agreement, Colombia will provide immediate duty-free access through a 21,000-ton TRQ with 5 percent annual growth. Colombia will phase-out the out-of-quota tariff of 25 percent over 12 years.

Animal Feeds and Pet Food. In 2007, the United States exported \$66 million of animal feeds and pet food to Colombia. Colombia's WTO tariff bindings on animal feeds and pet food products are 97 percent. Colombia's applied tariff rates range from 5 to 20 percent on some products while others are subject to Colombia's price bands with tariffs ranging from zero percent up to the WTO bound rate, depending on world prices. Under the agreement, Colombia will provide immediate duty-free access for various animal feeds through a 194,250-ton TRQ with 5 percent annual growth. The out-of-quota tariffs for these animal feeds are either 10 or 25 percent. They will be phased-out over 12 years.

Under the CTPA, Colombia will provide immediate duty-free access for pet food through an 8,640-ton TRQ with 8 percent annual growth. The out-of-quota tariff of 28 percent will be phased out over 8 years.

Under the ATPDEA, U.S. tariffs on imports of all feed grains from Colombia are currently zero. The CTPA continues this zero-duty treatment.

Rice. In 2007, the United States exported \$1.1 million of rice to Colombia. Colombia's WTO tariff bindings on rice and rice products range from 131 to 189 percent. Colombia's applied tariff rates range from 5 to 80 percent on some products, while tariffs on other products are subject to Colombia's price bands with tariffs ranging from zero percent up to the WTO bound rate, depending on world prices. Colombia will provide immediate duty-free access on rice through a 79,000-ton TRQ (milled rice equivalent basis) with 4.5 percent annual growth. Colombia will phase-out the 80 percent out-of-quota tariff for rice over 19 years with a grace period during the first 6 years. A safeguard on rice will be available in the event of an annual import surge. The rice flour tariff and tariffs for bran, sharps, and other milled rice residues will be phased out over 5 years.

Under the ATPDEA, U.S. tariffs on imports from Colombia are currently zero. The CTPA continues the zero-duty treatment.

Soybeans and Soybean Products. In 2007, the United States exported \$175 million of soybeans and soybean products to Colombia. Colombia's WTO tariff bindings on soybeans and soybean products range from 75 to 150 percent. Colombia's applied tariff rates range from 5 to 20 percent on some products while other products are subject to Colombia's price band system with tariffs ranging up to the WTO bound level, depending on world prices. Colombia will immediately eliminate tariffs on soybeans and soy meal and flour. Colombia will provide immediate duty-free access for crude soybean oil through a 31,200-ton TRQ with four percent annual growth. Colombia will phase-out the out-of-quota tariff of 24 percent for crude soybean oil over 10 years. Colombia will phase-out its 24 percent tariff for refined soybean oil over 5 years.

Under the ATPDEA, U.S. tariffs imports from Colombia are currently zero. The CTPA continues this zero-duty treatment.

Peanuts and Peanut Products. In 2007, the United States exported \$93,000 of peanuts and peanut products to Colombia. Colombia's WTO tariff bindings on peanuts and peanuts

products range from 70 to 155 percent. Colombia's applied tariff rates range from 5 to 20 percent on some products while tariffs on other products are subject to Colombia's price band system with rates ranging up to the WTO bound level, depending on world prices. Under the agreement, Colombia will immediately eliminate tariffs on peanuts, peanut oil and peanut products.

The United States has agreed to phase-out tariffs on peanuts and peanut products over 15 years. Under the ATPDEA, U.S. tariffs on Colombian peanut oil imports are currently zero. The CTPA continues this zero-duty treatment.

Sugar and Sweeteners. In 2007, the United States exported \$9.4 million of sugar and sweeteners to Colombia. Colombia's WTO tariff bindings on sugar and sweeteners range from 100 to 130 percent. Colombia's applied tariff rates range from 5 to 20 percent on some products while other products are subject to Colombia's price band system with tariffs ranging up to the WTO bound level, depending on world prices. Under the agreement, Colombia will provide immediate duty-free access for glucose through a 10,500-ton TRQ with 5 percent annual growth. Colombia will phase-out the out-of-quota tariff for glucose of 28 percent over 10 years. Colombia will phase-out all other tariffs on sugar and sweeteners within 15 years, and in many cases fewer, including 9 years for high fructose corn syrup.

The United States agreed to provide Colombia with a 50,000-ton TRQ for sugar and sugar products covered by the WTO TRQ at zero duty, with the quantity growing at a 1.5 percent simple annual growth rate. Colombia must be a net exporter to qualify to export this duty-free tonnage. There is also a sugar compensation mechanism under the agreement that enables the United States to provide compensation in lieu of accepting duty-free imports under the zero-duty treatment. The United States will provide no additional preferential access and will not reduce the out-of-quota duty for sugar and sugar products covered by the WTO TRQ.

Processed Products. In 2007, the United States exported \$44 million of processed products to Colombia. Colombia's WTO tariff bindings on processed products range from 70 to 143 percent, with applied tariff rates ranging from 5 to 20 percent. Under the agreement, most products will immediately enter Colombia duty-free. All others will enter free of tariffs in 10 years or less. Additionally, Colombia will provide immediate duty-free access for pet food through an 8,640-ton TRQ with eight percent annual growth. Colombia will set the out-of-quota pet food tariff at 28 percent with an 8-year phase-out.

Under the ATPDEA, U.S. tariffs on imports from Colombia are currently zero. The CTPA continues the zero-duty treatment.

Tobacco. In 2007, the United States exported \$654,000 of tobacco to Colombia. Colombia's WTO tariff bindings on tobacco are 70 percent, with applied tariffs ranging from 10 to 20 percent. Colombia will immediately eliminate tariffs on all tobaccos and tobacco products.

Under the ATPDEA, U.S. tariffs on certain tobacco products, including cigarettes, currently are zero. The CTPA continues the zero-duty treatment. Additionally, the United States will establish a 4,200-ton TRQ with zero duty for products included in the WTO TRQ. The TRQ

will grow at a 5 percent annual rate and the over-quota tariff will be phased-out over 15 years.

Cotton. In 2007, the United States exported \$59 million of cotton to Colombia. Colombia's WTO tariff bindings on cotton range from 70 to 99 percent, with applied tariff rates of 10 percent. Under the agreement, Colombia will immediately eliminate cotton tariffs.

The United States agreed to eliminate all cotton tariffs upon entry into force of the agreement.

Agricultural Imports from Colombia

U.S. agricultural imports from Colombia were valued at \$1.5 billion in 2007, largely unchanged from the previous year. Colombia's shipments are mostly limited to a few tropical and other horticultural products, about half of which do not compete with U.S.-grown products. Raw coffee beans with sales of \$678 million, nursery products at \$519 million, and bananas at \$157 million top the list and account for 90 percent of total U.S. purchases from Colombia.