



LATIN AMERICA TRADE COALITION

Why Support the Trade Agreements with Colombia and Panama? **Growth, Hope, and Opportunity**

GROWTH: Capitalizing on an already robust partnership

- U.S. exports to Colombia and Panama have doubled over the past three years, and two-way commerce with these countries reached nearly \$30 billion in 2008.
- Trade and investment with these countries already sustains thousands of U.S. jobs. U.S. farmers and ranchers sell over a billion dollars worth of agricultural products to these markets, and U.S. manufacturers have enjoyed double-digit sales growth.
- Already exporting to Colombia and Panama are approximately 15,000 U.S. companies, more than 80 percent of which are small and medium-sized firms that will benefit directly from the trade agreements.

HOPE: Supporting friends and allies in a region at risk

- The agreements will enhance U.S. efforts to strengthen the rule of law, internationally recognized worker rights, and transparency in business and government.
- They will provide local citizens with long-term alternatives to narcotics trafficking or emigration. They will also secure the intellectual property of U.S. inventors, researchers, and creative artists and crack down on trafficking in counterfeit or pirated products.
- The trade agreements have fully incorporated the new labor and environmental commitments agreed to in the May 10, 2007, bipartisan trade deal reached by U.S. Congressional leaders.

OPPORTUNITY: Leveling the playing field for U.S. workers and farmers

- Years ago, the United States opened its markets to imports from Colombia and Panama through trade preference bills. As a result, more than 90% of all imports from these countries already enter the U.S. marketplace duty-free.
- By contrast, U.S. exports to these markets face tariffs that often soar into the double digits. In other words, these countries enjoy nearly free access to our marketplace while our access to theirs remains limited.
- These trade agreements will fix this imbalance by forging a mutually beneficial, reciprocal partnership. Four-fifths of U.S. consumer and industrial products and more than half of all U.S. farm exports will enter Colombia and Panama duty-free immediately upon implementation of the agreements.



Why Support the Trade Agreements with Colombia and Panama?
They Will Level the Playing Field!

It's simple, really. The trade agreements with Colombia and Panama are about leveling the playing field for American workers, farmers, and companies.

Years ago, the United States unilaterally opened its market to these two countries and many of their neighbors through the Andean Trade Preference Act and the Caribbean Basin Initiative. Today, more than 90% of our imports from these countries enter our market duty free.

By contrast, exports of U.S. manufactured goods to Colombia and Panama face average tariffs of 14%, and 7%, respectively, and U.S. farm goods face even higher tariffs. In other words, these countries enjoy nearly free access to our marketplace while our access to theirs remains limited.

These trade agreements will fix this imbalance by forging a mutually beneficial, reciprocal partnership. Four-fifths of U.S. consumer and industrial products and more than half of all U.S. farm exports will enter Colombia and Panama duty-free immediately upon implementation of the agreements, with the rest phased out over time. Consider these representative examples from Colombia and the U.S.-Colombia Trade Promotion Agreement (a similar situation prevails with Panama):

Without the Agreement		Products	With the Agreement	
We Pay	They Pay		We Pay	They Pay
35%	2.5%	Automobiles	0%	0%
20%	0%	Furniture	0%	0%
5-15%	0-3.9%	Audiovisual products (film and DVDs)	0%	0%
5-15%	0%	Mineral Fuels and Coal	0%	0%
10%	0%	Cotton	0%	0%
5-15%	0-3.9%	Metal Products (copper, zinc, gold, silver)	0%	0%
5-21%	0-1.9%	Cereals (oats, corn, soybeans)	0%	0%
10%	0%	Computers and related products	0%	0%



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Why Support the Trade Agreements with Colombia and Panama? **Here are 13,257 Great Reasons!**

More than 15,000 U.S. companies export their products to Colombia and Panama, which are among Latin America's most dynamic growth markets. Of this total, 13,257, or 83%, are small and medium-sized enterprises. These so-called SMEs exported \$2,456 million worth of merchandise to Colombia and Panama in 2005. This represented 38% of all U.S. exports to these countries, well above the 29% share of U.S. exports that our smaller companies contribute globally.

Market	No. of U.S. Exporters	No. of U.S. SME Exporters	SME Exporters as % of Total	SME Exports in US\$ millions	SME Exports as % of Total
Colombia	10,018	8,509	85	1,681	35
Panama	5,898	4,748	81	775	40
TOTAL	15,916	13,257	83	2,456	38

Note: Some double counting may exist for companies that export to both markets.

Source: U.S. Department of Commerce, 2005 data except the number of exporters and SME exporters to Colombia, which is 2006 data.

What if there were a way to eliminate the barriers that prevent America's small businesses from seizing the full benefit of these markets' export opportunities? The trade agreements with Colombia and Panama will open the door to new opportunities for smaller U.S. firms in ways that go far beyond just cutting tariffs:

- **Non-Tariff Barriers:** NTBs are especially harmful to smaller companies because they add to the fixed costs of doing business. A \$10,000 permit is a nuisance for a big firm; it can be a show-stopper for a smaller one.
- **Intellectual Property:** Trade agreements protect the innovation and creative content captured in so many U.S. exports; in fact, Colombia and Panama will give protections for intellectual property similar to those in U.S. law.
- **Services:** These agreements will also open up service sector sales by American companies, expanding the opportunities for a part of our economy that's humming with efficient and innovative smaller companies.
- **Government Procurement:** These agreements will give American small business expanded access to government procurement contracts. Those contracts for roads, schools, clinics, and the like are often too small for major American companies to perform profitably. But they are just the kinds of contracts that our smaller construction companies, distance learning companies, and medical equipment companies (to mention just a few) can fulfill beautifully.

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Why Support the Trade Agreements with Colombia and Panama? **Look to Chile!**

The trade agreements with Colombia and Panama are great deals for U.S. workers, farmers, and businesses. They are the latest in a series of trade agreements that are paying dividends for the American economy.

Consider the success of the recent trade agreement with **Chile**, upon which the agreements with Colombia and Panama is modeled. The U.S.-Chile Free Trade Agreement was implemented on January 1, 2004, and immediately began to pay dividends for American businesses and farmers. While the U.S. International Trade Commission had forecast total export growth of 18-52% over the first 12 years of the agreement's implementation, U.S. exports to Chile leapt by 34% in 2004, 43% in 2005, 31% in 2006, 22% in 2007, and more than 50% in 2008. All told, U.S. exports to Chile quadrupled in just five years!

The conclusion? Trade agreements work! Trade is a motor for economic growth, and it generates new economic opportunities throughout the United States. Consider the remarkable results from trade with Chile:

- U.S. exports rose by \$10 billion in five years, surpassing \$12 billion in 2008.
- Individual companies can point to the same impressive gains. Caterpillar, for instance, has seen U.S. exports to Chile triple for some of its product lines.
- Helped by the boom in trade and high prices for its export commodities, Chile's per capita income doubled from 2003 to 2006, and unemployment fell from 8.1% in 2003 to 6% at the end of 2006.

Other recent trade agreements have borne similar fruits:

- Trade with **Jordan** has risen five-fold since the U.S.-Jordan Free Trade Agreement was signed in 2000, fostering the creation of tens of thousands of jobs in a country that is a close ally of the United States.
- The U.S. trade surplus with **Singapore** rose nearly 10-fold over the first five years of implementation of the U.S.-Singapore Free Trade Agreement (2004-2008), reaching nearly \$13 billion.
- Implemented in January 2005, the free trade agreement with **Australia** helped boost U.S. exports down under by over 60% in four years.

The trade agreements with Colombia and Panama take the same comprehensive, high-standard approach to trade as these earlier agreements. To build on the success of these earlier trade agreements, Congress should approve these new accords swiftly!



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Why Support the Trade Agreements with Colombia and Panama? **They're a Foreign Policy Imperative**

The trade agreements with Colombia and Panama are a great deal for U.S. workers, farmers, and businesses, but they are also an imperative for America's foreign policy and geostrategic interests in Latin America:

Development: By enhancing opportunities for economic growth and development in Latin America, these agreements will lend strength to local economies and provide citizens with long-term alternatives to narcotics trafficking or emigration.

Security: The agreements promote U.S. security interests by forging a deeper partnership with Colombia and Panama through a framework for government to government relationships that is grounded in the tangible national interests of all parties. Such a framework is vital to enhancing cooperation in the fight against terrorism and narcotics trafficking; it also sets an example for other countries around the world as we pursue our global security goals.

Democracy: The agreements will enhance U.S. efforts to strengthen democracy in Latin America by lending direct support for the rule of law, internationally recognized workers' rights, and transparency in business and government. They thus provide important tools to fight the scourge of corruption, which undermines growth, security, and stability.

Narcotics: While Colombia and Panama have made tremendous strides fighting narcotics trafficking over the past 15 years, narcotics trafficking poses serious challenges for the hemisphere. These agreements help establish a cooperative framework in which other fronts such as narcotic interdiction can be constructively addressed, while providing the economic alternatives to keep individuals away from illegal activities. Additionally, the agreements grant duty-free access to the U.S. market for an expanded range of Latin American products, thus offering the possibility of more good jobs locally.

The consolidation of democracy and sustainable economic development throughout Latin America are clearly in the national interest of the United States. These agreements will provide Latin Americans with the tools they need to achieve their own development aims.



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Why Support the Trade Agreement with Colombia? **Colombia Is Moving Forward!**

Few nations in the world have changed as much in recent years as Colombia — to the tremendous benefits of its citizens. Consider the country's transformation:

Jobs: Colombia's unemployment rate has fallen from 20% in the late 1990s to single digits. Three million jobs have been created since 2002, when the U.S. Congress further opened the U.S. market to Colombian exports through the Andean Trade Promotion and Drug Eradication Act — underscoring the power of trade as an effective alternative development program.

Education and Health Care: Fully 88% of Colombian children are enrolled in school, up from 71% in 2001. Currently, 73% of Colombians have health care coverage, up from 54% in 2002. In 2006, the government's budget for education, health care, and social programs was \$12.7 billion, a substantial sum given Colombia's \$100 billion GDP.

Public Safety: Colombia's homicide rate was cut in half and kidnappings were reduced by almost 90% over the past five years. Law and order have been restored in rural municipalities. More than 4,000 labor leaders, judges, human rights workers, and journalists benefit from program that provides for their personal security. Colombia's armed forces have received extensive human rights training — more than those anywhere else in the Americas.

National Reconciliation: Colombia is disarming both left-wing and right-wing armed groups. The government has made dozens of peace overtures to the FARC and ELN guerrilla groups that have fought the government for four decades. The right-wing paramilitaries have been disarmed, with more than 40,000 fighters demobilized. As a *Washington Post* editorial noted: "At last, the paramilitary network in Colombia and its military and political alliances are being exposed and uprooted" (3/15/07).

Narcotics Trafficking: Coca production in Colombia has been reduced by 40% over the past decade, according to the U.S. Office of National Drug Control Policy. Since 2000, Colombian security forces have interdicted cocaine and heroine shipments with an estimated street value between \$35 billion and \$40 billion.

How Did This Happen? President Uribe's principled leadership and the determination of the Colombian people have been bolstered by U.S. support through the Andean trade preferences and Plan Colombia. As the *Post* concludes, "Colombia's president can deliver on his promise to reform the country's political system and extend its authority to a long-lawless countryside. If Congress wishes to see those changes continue, it should approve the new Colombian aid plan as well as the free-trade agreement."

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Why Support the Trade Agreement With Panama? **It's Simply a Win-Win Deal!**

The United States and Panama concluded negotiations for the U.S.-Panama Trade Promotion Agreement in 2007. It's a win-win accord that offers tangible benefits to both countries — no ifs, ands, or buts. Consider:

Geostrategic Partnership. The agreement will strengthen the century-old U.S.-Panama geostrategic partnership. From the time of the canal's construction, the United States and Panama have made common cause on issues from security to commerce. Panama has major ports on both the Atlantic and the Pacific, and fully five percent of world trade passes through the canal. With a remarkable one-third of its population speaking English fluently and a fully dollarized economy, Panama is a good friend and partner of the United States. The trade agreement will help Americans and Panamanians to expand bilateral commerce, which surpassed \$4 billion in 2008.

Level Playing Field. The agreement will level the playing field for American workers, farmers, and companies by eliminating nearly all of Panama's tariffs on American goods. The World Bank reports that Panama has a weighted average tariff of 7%, whereas the United States eliminated nearly all its tariffs on imports from Panama through the Caribbean Basin Initiative (1984) and the U.S.-Caribbean Basin Trade Partnership Act (2000). The trade agreement will make these trade openings reciprocal — a two-way street that will benefit both countries.

Business Opportunities. The Panama Canal Authority is undertaking an expansion of the canal at a cost of more than \$5 billion — one of the largest public works projects in the world today. If approved, the trade agreement will grant U.S. firms ready access to the Panamanian market and the chance to compete in selling everything from heavy equipment and engineering services in a market that has reached annual growth rates near 10% in recent years.

Few Sensitivities. With its economy overwhelmingly based on services, Panama's economy presents little or no challenge for sensitive sectors in the U.S. economy. Panama has no significant textile or apparel industry, and its farmers' export crops (mostly tropical products) are largely complementary to U.S. agriculture. Panama has already ratified all eight International Labor Organization conventions on core labor standards, and Panama's National Council of Organized Workers, the umbrella group for all of Panama's trade unions, endorsed the agreement in June 2007. Environmental stewardship has long been a priority for Panamanians as the canal is dependent on protection of the forests in the huge watershed that allows this engineering marvel to function.