

## Caterpillar's Bulldozers Power Push for Colombia Trade Agreement

(Bloomberg) -- [Caterpillar Inc.](#) bulldozers that cost as much as \$2 million plow through rock and move dirt in Colombia's coal mines. With help from the White House and Congress, the company says it can export more of them from its Illinois plant.

The D11 bulldozers, the largest made, face a 5 percent tariff in Colombia, which can add \$100,000 to the price tag as the company competes for sales with manufacturers in Japan and China, according to Caterpillar, the world's biggest maker of construction equipment.

A free-trade agreement signed in 2006 and never implemented would eliminate those tariffs and help President Barack Obama meet his goal of doubling exports, the Peoria, Illinois-based company says. Caterpillar and Republicans in Congress want Obama to submit stalled agreements with Colombia and Panama to Congress at the same time as a South Korea free-trade accord that the administration plans to push first.

"People don't appreciate how important Latin American export markets are to American manufacturers," William Lane, government relations director for Caterpillar, said in an interview. "At one level this is the easiest issue Caterpillar has ever lobbied."

Bulldozer tariffs aren't Caterpillar's only concern. Its behemoth trucks face a 15 percent duty in Colombia, which adds about \$300,000 to a vehicle that can also cost \$2 million, according to Lane.

So Caterpillar and other U.S. companies that export in the Americas will be listening tonight to see if the Colombia and Panama accords rate a mention from Obama in a State of the Union address that will focus on creating U.S. jobs and improving the nation's competitiveness.

### Administration's Stance

The president agreed to revisions to the free-trade agreement with South Korea in December and wants Congress to approve it in the first half of the year. The U.S. and Panama agreed to a tax accord that lawmakers said was necessary for consideration of that free-trade agreement. The U.S. and Colombia haven't negotiated changes on issues raised by Democrats in Congress.

The administration opposes efforts to lump together the three deals and "force feed" them for congressional consideration, U.S. Trade Representative Ron Kirk said Jan. 13.

South Korea is the bigger prize for many U.S. companies, as [total trade](#) with that nation topped \$80 billion in the first 11 months of 2010, compared with \$25 billion for Colombia and \$5.8 billion for Panama, according to U.S. Commerce Department data. The South Korean deal would increase U.S. exports by \$10.9 billion a year, while the deal with Colombia would [boost](#) exports by \$1.1 billion, according to the [U.S. International Trade Commission](#).

### Chamber's Stand

Caterpillar isn't alone among companies that want Obama to press for action on all of the trade agreements, according to Christopher Wenk, senior director for international policy at the U.S. Chamber of Commerce in Washington, the nation's largest business lobbying group.

“So much of the discussion has been on Korea, but the business community wants all” of the free-trade deals, Wenk said in an interview.

In the State of the Union address last year, Obama pledged to “double our exports over the next five years, an increase that will support 2 million jobs in America.” He also said that “we will strengthen our trade relations in Asia and with key partners like South Korea and Panama and Colombia” without specifying what actions he would take.

Unions, which helped fund the election campaigns of Obama and Democrats in Congress, are united in opposition to the Colombia pact because of longstanding concern that labor organizers there have been physically attacked. While the AFL- CIO, the largest U.S. labor federation, opposes the Korea deal as well, the United Auto Workers endorsed that agreement after Obama won concessions intended to open Korea’s market to American autos.

### Hearing Today

The new Republican leadership of the House plans to focus attention on the Korea, Colombia and Panama accords before Obama’s speech. The House Ways and Means Committee has scheduled a [hearing](#) today on the pacts.

“We believe all three agreements are important,” Kevin Brady, a Texas Republican and chairman of panel’s trade subcommittee, said in an interview with Bloomberg Television on Jan. 20. “We are seeking a defined timetable, a tight schedule to move all three.”

Also this week, Colombia’s Vice President Angelino Garzon, a former labor leader, is scheduled to meet in Washington with his counterpart, [Joe Biden](#), and Secretary of State [Hillary Clinton](#).

### Kicking Field Goal

Leading the charge for action on all three agreements, Caterpillar ran an advertisement last month in Politico, a newspaper that circulates at the Capitol, with a photo of goalposts and the caption, “Now is not the time to kick a field goal on trade.”

“For Caterpillar, passing the Korea FTA while keeping Colombia and Panama on the sidelines is like kicking a field goal on second down,” the ad said, using imagery from American football to invoke a missed opportunity.

Caterpillar has much at stake in Latin America, with the Panama Canal being expanded and large-scale mining projects planned in Colombia, Lane said. In the third quarter of last year, Caterpillar sales in the region jumped 95 percent to \$1.76 billion, a faster increase than in anywhere else. Sales there accounted for 16 percent of worldwide revenue.

Business groups say Republican efforts to push for action on the Colombia and Panama agreements will lead to a series of political maneuvers in the coming weeks.

### ‘Kabuki Dance’

“There is going to be this elaborate kabuki dance,” said William Reinsch, president of the [National Foreign Trade Council](#), which represents exporters such as Caterpillar, [General Electric Co.](#) and [Boeing Co.](#) “What they will try to get is a promise of a pathway to move forward.”

While Korea is “a more significant market,” congressional action on each of the agreements will be watched around the world to see if the U.S. can deliver on future accords in Asia or at the World Trade Organization, Phil Levy, a former Bush administration official and a scholar at the American Enterprise Institute in Washington.

“If you want to establish credibility with other trading partners, you need to be able to do these deals,” he said.

To contact the reporter on this story: Mark Drajem in Washington at [mdrajem@bloomberg.net](mailto:mdrajem@bloomberg.net)

To contact the editor responsible for this story: Larry Liebert at [lliebert@bloomberg.net](mailto:lliebert@bloomberg.net).