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COLOMBIA TRADE PACT

President Bush has sent the Colombia Trade Promotion agreement to Congress for approval. The pact is an excellent deal for American workers, farmers, manufacturers, and consumers. Unfortunately, it has been caught up in election year rhetoric, and it will take some statesmanlike behavior in the Congress to see the matter through to a successful conclusion.

Under the President's trade promotion authority, the Congress would normally have voted on the pact within 90 days from the date of submission. House Speaker Nancy Pelosi, an opponent of the pact, obtained a House resolution to waive that requirement on April 10, allowing her to postpone action, by a vote of 224-195. The worst case outcome of this amendment would be for the agreement to be postponed indefinitely, and ultimately die. The best case is that the vote will be delayed, possibly until after the election, when political factors may be less dominant, and the merits of the pact may be given more weight.

Last fall, Congress did two good things on trade. It ratified the Peru Trade Promotion Agreement, and it extended Andean Trade preferences through the end of 2008. All the good reasons for those steps, and more, apply to the Colombia agreement.

The Andean preferences program allows duty-free entry of goods from Andean nations in exchange for difficult and expensive efforts by participating nations to suppress narcotics trafficking. The program is renewed periodically by Congress, although, in 2002, the program lapsed for more than six months, creating havoc for Andean exporters to the United States. For most of the last 17 years, then, the Andean preferences program has allowed duty-free entry of most Colombian goods into the United States. As a result, 93 percent of Colombian exports to the United States are now duty free. However, U.S. goods continue to face steep tariffs when they enter Colombia.

The uncertainty relating to the temporary lapse of the Andean preferences prompted the Colombians to approach us with a proposal that we exchange their one-way, time-limited, duty-free market access for a reciprocal and permanent agreement, which would give U.S. exporters duty-free access to Colombian markets. Negotiations started in 2004, and an agreement was signed in November 2006. It would be most beneficial to have the agreement approved and implemented before the Andean preference extension runs out at the end of this year.

The one-way Andean trade preferences were extended by unanimous consent in the Senate and by voice vote in the House. The AFL/CIO supported that extension. The unions and its members should readily understand that it would be even better to level the playing field for American exporters by approving two-way free trade. Yet the AFL/CIO now inconsistently opposes the Colombia agreement.

The United States would gain immediate duty-free access to Colombia for over 80 percent of our consumer and industrial products. U.S. trade union members would benefit: 8,000 U.S. firms now export to Colombia, which has one of the largest Latin

American economies and, as a destination for U.S. exports, surpasses many of our European and other OECD trading partners. The International Trade Commission (ITC) estimates that the pact would increase U.S. exports to Colombia by $1.1 billion per year, over twice its estimate of a $487 million increase in Colombian exports to the United States. The disproportionate boost in U.S. exports is not surprising. Colombian flowers, coffee, and bananas now pay zero duty to enter this country, while to enter the Colombian market, U.S. fertilizer pays 15 percent duty, apples pay 10 percent, soft drinks with high fructose corn syrup pay 20 percent, paper bags pay 15 percent, and farm machinery pays over 30 per cent.

Think what removal of such barriers would mean for U.S. producers trying to sell to Colombia in competition with firms from other nations. U.S. products would enjoy a significant price advantage, and capture a larger share of the Colombian market. Consider also what would happen if we do not get the agreement. Colombia is negotiating a free trade agreement with Canada. If that agreement goes forward, and ours does not, then Canadian car, truck, and farm machinery exports to Columbia will have a significant price advantage over U.S. exports. This is a problem for the United States in many parts of the world. For example, New Zealand and China have just completed a free trade agreement, which will give firms in these two countries a leg up on U.S. and other producers in sales to each other. We cannot dither while others move forward. Failure to act on the Colombia agreement would send a terrible signal to South Korea, with whom we also have a pending free trade agreement. Korea is free to open negotiations with other nations too. We risk losing major customers around the globe.

Our current 14 Free Trade Agreements (FTAs) are in force with only 7 percent of the world's population, yet they account for 40 per cent of U.S. exports. After the Central American Free Trade Agreement / Dominican Republic (CAFTA/DR) came into effect, U.S. exports to those countries rose 16 per cent the first year and 13 percent the second year. Exports to Chile rose 100 per cent after our trade agreement went into effect. Experience shows that our trade deficit with FTA partners has declined, even when our global trade deficit was rising.

Both countries need this agreement. The ITC estimates it would raise U.S. GDP by $2.5 billion annually. Our economy could use that boost right now. The pact has also become critical for Colombia in the face of new belligerence from Venezuela's President Hugo Chavez. Colombia needs the U.S. statement of support and the market certainty that its adoption will offer. It is time to approve the Trade Promotion Agreement with Colombia ASAP.

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Note: Nothing here is to be construed as necessarily reflecting the views of IRET or as an attempt to aid or hinder the passage of any bill before the Congress.