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"ANALYSIS OF THE FREE TRADE AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA AND ITS EFFECTS ON ECUADOR"

THESIS PRIOR TO OBTAINING A BACHELOR'S DEGREE IN INTERNATIONAL STUDIES WITH A MAJOR IN BILINGUAL FOREIGN TRADE

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DEDICATION

This thesis work is dedicated to my family, to all those who have supported me, and to those who have been there for me and have encouraged me to reach another goal in my life.

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ABSTRACT

This study will present the Free Trade Agreement between the United States of America and Colombia. It will show the concept of a free trade agreement, the purposes, the importance, the validity, the background, the motivations and the positions of the presidents of Colombia and of the United States, before the signing of the treaty.

Later it will present the timeline in which the agreement came into force, a summary of the rounds of negotiations and tariff elimination which determine the issues and sensitive products for each country, the trade balance between Colombia and the United States before and after the treaty comes into force, and the main import and export products that enter through duty-free to and from each country.

Finally, this study will analyze the commercial relationship between Ecuador and the United States and Colombia to determine the effects that this treaty is causing in Ecuador, considering that Colombia and Ecuador are neighboring countries with similar export supply, headed to the United States. This analysis will be done by focusing on the commercial aspects and its effects.

ANALYSIS OF THE FREE TRADE AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA AND ITS EFFECTS ON ECUADOR

Introduction

The thesis entitled “Analysis of the free trade agreement between the United States and Colombia and its effects on Ecuador” is very important because we live in a globalized world where international trade is the engine for countries to achieve high levels of development, strengthen their economies, and increase competitive markets.

A Free Trade Agreement (FTA) is an agreement between two or more countries that seeks to increase and improve trade relations of goods and services in a free zone, by removing trade barriers. The Free Trade Agreement between the US and Colombia went into effect on May 15, 2012, but was signed by the two countries on November 22, 2006 (five and a half years before went into effect). The FTA, although it went through a long period of time to take effect, eliminates tariffs and other trade barriers between these two countries (Villarreal M. A., Congressional Research Service, 2014).

As for approval of the FTA, there was a large number of members of Congress who opposed it due to concerns spanning the Latin American country; as violence against trade unionists, vain efforts to implement justice, and weak protection of workers’ rights were rampant. However, other members of Congress supported the treaty, claiming that Colombia had made significant progress in the last ten years to combat violence and improve security in the country.

Before the FTA went into effect, in Colombia, critics were concerned about the negative effects that could occur in some areas, especially in rural farming areas. In response to these concerns, the US and Colombia agreed on an “action plan on labor rights” that included specific and concrete measures by the Colombian government to protect union members, to end impunity, and improve the rights of workers. Having fulfilled these commitments, the treaty was eventually ratified (Villarreal A. , Congressional Research Service, 2014).

The United States is the main trading partner for Colombia; but for the US, Colombia represents a very small proportion of their trade (1% in 2013). However, one of the reasons the US signed the FTA was because US exporters were losing market share in Colombia, especially in agriculture, since Colombia negotiated free trade agreements with other countries, for example Canada, which was implemented on August 15, 2011; for this reason the US government saw this treaty as a means to open the Colombian market to US goods and services. As for Colombia, the FTA with the US was very important to its strategy for improving economic development (Villarreal M. A., Congressional Research Service, 2014).

Prior to the implementation of the FTA, rounds of negotiations were held, where tariffs were eliminated, and others established, for each of the parties, in order to protect national production. Within the industrial sector, both Colombia and the US have increased their exports. However, it is worth mentioning that Colombian imports from the US have increased significantly since the FTA went into effect.

The FTA so far has been in effect for about two and a half years, so it is too short a time period to determine all the effects that can be generated by that business relationship. However, as mentioned above, this thesis will determine which country is proving to be a net winner or loser, and the effects of the FTA reflected in Ecuador, specifically in the commercial sector.

CHAPTER 1: FREE TRADE AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA

In this chapter, we will discuss what a free trade agreement is; its purpose, significance, effect, background, and motivations; levels of economic integration in trade agreements; positions of the presidents of the United States and Colombia on the FTA, and other positions for and against the treaty.

1.1 Free Trade Agreement: concept, purpose, importance and validity; background and reasons for the FTA between the US and Colombia

1.1.1 Concept of a Free Trade Agreement

A free trade agreement is important for the globalized world. Today, the phenomenon of "globalization" has led countries to establish trade relations between one another.

The *Business Dictionary* defines an FTA as:

> *An agreement between two or more countries to establish a free trade area, trade in goods and services can be made through their common borders without tariffs or barriers, but (unlike a common market) capital or labor cannot move freely. Member countries generally impose a uniform tariff (CET) on trade with non-member countries.*

La Comunidad Andina (2006) defines an FTA as:

> *A contract between two or more countries, or between a country and a bloc of countries, is binding and seeks to eliminate trade barriers, consolidating access to goods and services, and promotes the leveraging of private investment. In order to deepen the integration of economies, the FTA, as well as commercial issues, incorporates economic, institutional, intellectual property, labor and environmental issues, etc. To protect the most sensitive sectors of the economy, the FTA aims to strengthen the institutional capacities of the countries by negotiating and establishing forums for resolving trade disputes.*

The reasons that have led countries to trade with each other are, different possibilities and opportunities that have been presented and to develop their economies internally. Each society has different resources - limited and unlimited. The objective of the signatories of an FTA, whether two or more, is to benefit the exportation and importation of products, since in some cases products are continuously taxed and in other cases the tariff becomes immediate with the entry into force of a treaty.[1]

Each country has a comparative advantage over another, insomuch that each also complements the other in some essential way; the result of this relationship is international trade, which potentiates the efficiency of world production.

1.1.2 Purpose, Importance, and Validity of an FTA

The signing of a free trade agreement has a number of purposes and benefits that are analyzed by the states thereof, together and separately. Each country looks after their

[1] See Annex 1, the view of the Colombian Senator Luis Carlos Avellaneda, on the issue.

interests and seeks to take full advantage of the other, eventually reaching a mutually beneficial arrangement.

La Comunidad Andina (2006) established that:

> *Free trade agreements are important because they constitute an effective means to ensure access of our products to foreign markets, more easily and without barriers. They also lead to an increase in the marketing of domestic products; generating more jobs, modernizing the production system, improving the welfare of the population, and promoting the creation of new businesses by domestic and foreign investors.*

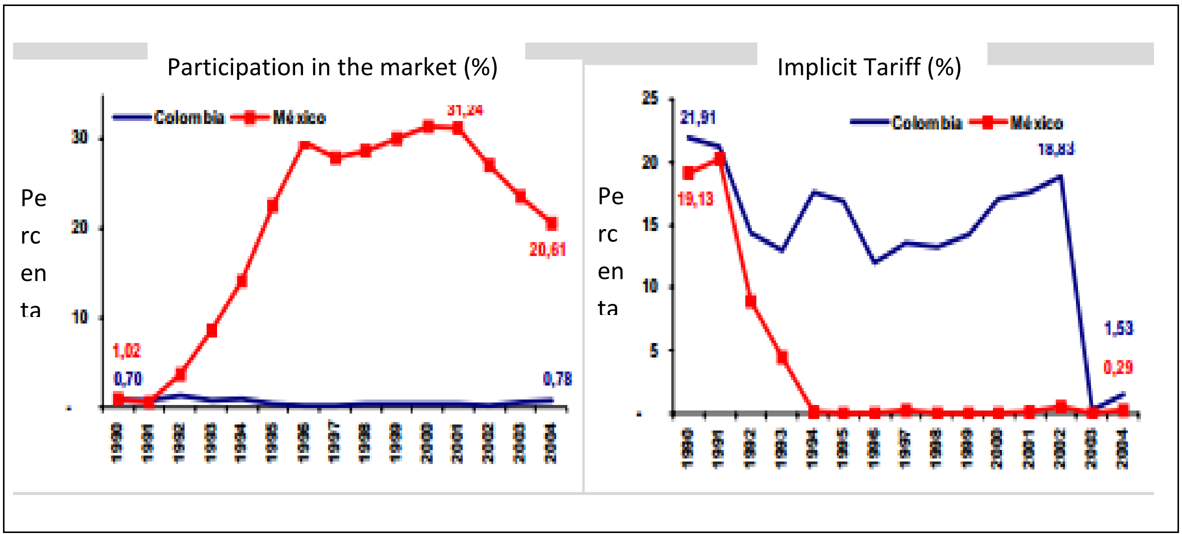
Moreover, free trade helps lower prices for goods that cannot be produced domestically. An FTA involves a comprehensive agreement based on issues that are key to the economic relationship between its members. An FTA analyzes and regulates several areas, for example the area of market access of goods - taking into account the tariff and nontariff barriers, safeguards, rules of origin, technical barriers, sanitary and phyto-sanitary measures, and trade defense mechanisms. The area of the trade of services refers to telecommunications, finance, construction, software, among others. An FTA also addresses e-commerce and government procurement, promotion and reciprocal protection of investments and the protection of intellectual property rights, enforcement of labor and environmental standards, and the implementation of dispute resolution mechanisms (Comunidad Andina, 2006).

The importance of an FTA is that the country's markets are open, facilitating the entry of domestic products into foreign markets, favoring the increased marketing of these products, which implies an increase in employment and a modernization of production systems, yielding a greater well-being for its citizens (Andean Community, 2006).

Not having trade agreements means closing the doors to the foreign trade of domestically generated products not readily available in other countries; while countries with a trade agreement have the advantage of introducing their products in other foreign markets, sometimes duty free. Also, those who want to sell their products in countries without an FTA cannot do so competitively due to the higher prices of their products, having been taxed upon importation. It is noteworthy that an FTA may be in force until one of its members proposes to the other a termination or renegotiation of the contract.

Preferential access, i.e. access to a free market with lower tariffs, has its effects; for example, imports of US shirts. In 1990, Mexico sold the United States $6 million of t-shirts, which represented 1.0% of total imports of that product, and Colombia sold $4 million, accounting for 0.7%; the two countries paid a tariff of approximately 20%. Mexico later received preferential access through the North American Free Trade Agreement (NAFTA), thus the tariff was reduced to near zero. In the case of Colombia, the fee paid for the shirts was 16% between 1990 and 2002. Mexico's preferential access, gained by NAFTA, allowed it to become the leading provider in this market, with an increase to 31% of total importation of T-shirts into the US in 2001, selling over $1 billion; in the same year, Colombia only sold $12 million, representing 0.4% (United Nations Economic Commission for Latin America and the Caribbean - ECLAC, 2014).

Graph 1. US imports of shirts from Mexico and Colombia.



Source: (SICE, 2014)
Prepared by: (United Nations Economic Commission for Latin America and the Caribbean - ECLAC, 2014)

With regard to US trade with Colombia, in 2003, the US, through the Andean Trade Promotion and Drug Eradication Act (ATPDEA), granted to Colombia a close to zero preferential tariff, resulting in an increase in Colombian t-shirt sales to $30 million, and their share increased to 0.8% in 2004. The impact of preferential access is clearly observed, a 7-fold increase of apparel exports from Colombia to the US between 1990 and 2004; while Mexico increased by 13,300% (United Nations Economic Commission for Latin America and the Caribbean - ECLAC, 2014).

Any tariff preference means a greater benefit to the exporting country. As we saw in the previous example, preferential access leads to increased profits. However, the importing country must have a strong enough local industry to compete with the incoming products, otherwise the importer ends up having a net loss.

1.1.3 Background of the FTA between Colombia and the United States

Colombia, in recent years, has handled foreign policy based on strengthening trade relations with the Andean Community. It has also worked hard to obtain unilateral access to some markets, especially the United States, beginning with the ATPA (Andean Trade Preference Act), then the ATPDEA; and access to the European Union's GSP (Generalized System of Preferences)(MinCIT, 2013).

The gap has widened between exports and imports of Colombia, prompting the country to make major changes, including trade policy to find new markets, thus defining the importance of signing FTAs. In this case, the Colombia FTA negotiated with US represented the possibility of long-term investments, increase production capacity, enhanced stability, and favorable conditions for Colombian exports (MinCIT, 2013).

In the FTA mentioned, topics related to both the production and service sectors were addressed, taking into account the following aspects: industry and agriculture, intellectual property, investment regime, government procurement, dispute resolution, competition, electronic commerce, environmental and labor services, among others. These issues formed the text of the agreement, consisting of a preamble and 23 chapters, including the agreed upon general disciplines, and also particular elements mentioned in negotiations on the interests of Colombia and the US (MinCIT, 2013).

1.1.4 Motivations for Colombia to sign the FTA with the US

There are several factors taken into account that have motivated Colombia to sign the FTA with the United States; these factors are:

a) Internationally, Colombia hoped to gain competitiveness against other direct competitors; countries such as Chile, Mexico, and other Central American countries that already had FTAs. Without its own FTA, Columbia had no advantage in the market place considering the above countries would be more attractive for foreign investments (Information System on Foreign Trade - SICE, 2003).

b) Non-tariff barriers, preventing the free access of Colombian goods into the US. For example, Colombia has a comparative advantage over the US in clothing and textile production; but these sectors were not exported in large quantities to the US due to the existence of non-tariff barriers, which are "laws, regulations, policies, or practices of a country that restrict access of imported products to its market" (Ministry of Agriculture, Livestock, and Fisheries, 2014).These barriers include legal and administrative procedures, policy-based institutions and governments; i.e. import quotas, anti-dumping laws, subsidies, licensing and technical requirements, labeling, and certification. In Annex 2, as an example, you can see the list of products entering the US with some of these regulations and Annex 3 shows products that were restricted by import quotas. Finally, US NTBs applied to Colombian products were mostly on technology, and specific product requirements related to its composition or quality standards (Information System on Foreign Trade - SICE, 2003). It is for this reason that Columbia entered into a free trade agreement with the US, mainly based upon the opportunity to set aside non-tariff barriers. In Annex 4, you can see a table with non-tariff barriers applied to Colombian products.

c) SICE (2003) noted that Colombia based exports to the US were high, and referred to the ATPA, which gave benefits to Colombian products exported to the US. However, it also mentioned that Columbia did not take advantage of this system because they did not produce many of the products covered in the ATPA; and secondly, there weren't many benefits for the products that were exported by Colombia at that time. Later the ATPDEA replaced ATPA; but all the same, Colombia could not take advantage of these benefits in full, for the reasons mentioned above; thus Colombia saw that an FTA would provide greater benefits, for example the number of tariff lines was greater in the FTA (SICE, 2014), there was an increase in stability, and more preferential terms. The projection of

Colombia was similar to that of NAFTA; that is, increased employment and income that would generate a wider range of products at better prices; the purchase of machinery not produced in the country; the purchase of raw materials improving production; increased competitiveness, generating growth in the two economies; and other benefits for Colombian and US consumers (PROEXPORT COLOMBIA, 2011).

d) Colombia has the US as its main trading partner and the FTA involved a strategy of active integration into the global economy. The goal of Columbia was to achieve growth rates above 5% per year, which would strengthen the permanent preferential access to markets that have a higher purchasing power (SICE, 2014).

e) In terms of production and trade flows, Colombia saw that not possessing an FTA would generate a reduction in production in some sectors. Although the FTA generates a trade balance the US and Colombia, there are some deficits for some agricultural products; but not having a free trade agreement would make the competitive factors and activities with high export potential be threatened by direct competitors(SICE, 2014).

Colombia has always maintained its policy of openness to international trade, hoping that the growth of its economy improves thanks to FTA, especially considering that the US is its main trading partner, in addition to being a strong global economy.

Furthermore, an FTA provides greater benefits than the ATPDEA, which is also a permanent agreement that strengthens business relationship over time. However, when negotiating an FTA, the parties should not focus solely on the reduction and elimination of tariffs but also non-tariff barriers, so that from the beginning all the obstacles that limit exports are eliminated. Additionally, the parties should analyze the differences between economies; for example in this case, Colombia is a commodity exporter, while the US is a manufacturing exporter.

1.2 Levels of Economic Integration on Trade Agreements

Economic integration can be defined as a way of grouping between national economies, where trade barriers and borders between countries become less important, in order to facilitate and improve their trade; i.e. the free movement of goods and people. Also, the implementation of common policies in the various sectors of the economy is promoted, thereby combating the risks generated by the different situations of the global economy (Ramales, Economía Internacional. Apuntes Introductorios (International Economics. Introductory notes), 2014).

Miltiades Chacholiades (1992) notes that there are 5 different forms of economic integration: the preferential trading club, the free trade area, the customs union, the common market, and the economic union.

a) A Club Preferential Trade is formed when two or more countries reduce their tariffs on imports of goods (excluding capital services) with each other, i.e. an exchange of tariff preferences among members of the club is made and tariffs remain in effect with other countries; for example, in 1932, Britain and its Commonwealth partners, i.e. the association of 48 countries between England and its former colonies(Chacholiades, Grados de Integración Económica (Levels of Economic Integration), 1992).

b) A Free Trade Area is formed when two or more countries eliminate all import tariffs and quantitative restrictions in mutual trade relative to goods (excluding capital services), and maintain their own original tariffs against other countries. However, there is the need for border controls for products of the countries belonging to this area. For example, the free trade agreement between Mexico, USA and Canada (Chacholiades, Grados de Integración Económica (Levels of Economic Integration), 1992).

c) A Customs Union is formed when two countries eliminate all import tariffs on all goods (excluding capital services) of their mutual trade; also handled with a common external tariff on all imports from the other countries. A customs union is also an area of free trade because trade among member countries is free. For example, MERCOSUR (Argentina, Brazil, Paraguay [suspended], Uruguay, and Venezuela) (Chacholiades, Grados de Integración Económica (Levels of Economic Integration), 1992).

d) A Common Market is a customs union, plus access to the free movement of factors of production. The Common Market countries eliminate all mutual trade restrictions and establish a common external tariff, as well as the free movement of workers coming from the countries and the recognition of professional qualifications. Also, the free movement of capital is established with a degree of tax harmonization. For example, the European Union (Chacholiades, Grados de Integración Económica (Levels of Economic Integration), 1992).

e) An Economic Union is a common market: the unification of fiscal, monetary, and socioeconomic policies. It is regarded as the most complete form of integration; involving a greater degree of harmonization of fiscal and monetary policies; there is a greater transfer of sovereignty, since, when working with a single monetary system, each country governs monetary discipline to maintain exchange rates within a permitted range. For example: The United States of Mexico, with a common currency and one Central Bank (Banco de Mexico), another example is the United States, whose common currency is the dollar, governed by the same Central Bank (Federal Reserve System) (Chacholiades, Grados de Integración Económica (Levels of Economic Integration), 1992).

According to the definitions of each of the levels of economic integration, an FTA can be considered a customs union and a common market, however it differs from the latter because capital and labor cannot be freely mobilized; but on the other hand, both a common market and an FTA establish a common external tariff for trade with non-member countries of the agreement.

1.3 Positions of the leaders of the United States and Colombia regarding the FTA

a) Former Colombian President Alvaro Uribe (2002 - 2010) expressed, "the signing of the FTA would be a great opportunity and challenge for Colombia," who sought indefinitely to be part of the US market to achieve employment generating investment and resources to eradicate poverty. The former president emphasized the opportunity to project and act big, noting that while it is true that some sectors earn more than others, it is also true that he had created the "Agro, Secure Income" through which consumers would benefit from lower prices of essential products, and improvement in the price of agricultural inputs. He also indicated that there would be protection because the two countries would engage in protecting the rights of workers and union leaders. Finally, he mentioned that the FTA would help rebuild the infrastructure of Colombia (SICE, 2014).

   According to the findings by Alvaro Uribe, the FTA was the best way to generate growth in the economy; however, the author of this thesis does not share the views expressed by the former president, as this FTA is the best way to generate higher enrichment only for US.

b) Concatenating the standpoint of Uribe, the current Colombian President Juan Manuel Santos, likewise opted for the FTA, as a new era of positive change for the country. Initially, Colombian representatives mostly favored the FTA with the US, hopeful that the treaty would help improve the economy. On April 7, 2011, Juan Manuel Santos and Barack Obama (current US president), announced a bilateral action plan on labor rights, with the aim of creating protections for workers and farmers in Colombia (Columbian

Embassy - Washington, DC, 2014); however, in 2013, for a consecutive period of 18 days, a national agricultural strike took place, where Colombian farmers demanded to be heard, not receiving the benefits offered by the government.

The demand for workers, peasants, students, doctors, miners, teachers and other agricultural workers, sought to reject policies that limited their rights, privatized institutions and delivered natural resources to transnationals. Farmers sought guarantees for access to land ownership, the establishment of a rural areas reservation policy in favor of artisanal miners and improvements in rural areas, particularly in health and access to drinking water. With everything that happened, the Minister of Commerce, Industry, and Tourism of Colombia said the government would not renegotiate such agreements (TELESUR - The informative signal of Latin America, 2013).

c) US President Barack Obama at the Summit of the Americas held in 2012 in Cartagena said, “The FTA with Colombia is a triumph for both nations, it would represent a resounding growth for both countries, with a number of protections for workers and unions” (THEWORLDPOST, 2012). Obama said that the FTA is a win - win agreement, noting an increase of more than a billion dollars in exports for the US, providing thousands of jobs and doubling exports to Colombia. Likewise, Obama noted that it is a victory for workers and the environment, because of the strong protections that the FTA has for both countries (Bruce, ABC News, 2012).

With regard to the above, the US president said that the FTA is a “win – win” agreement, but in the author’s view, it is not; the industrialized country takes the greatest benefits, while Columbia is the loser.

1.3.1 Other positions for and against, representatives of the United States and Colombia, the free trade agreement between the US and Colombia

We have analyzed the positive and negative impact that the FTA has on the economies of its member countries. On the one hand, and from the point of view of benefits of the FTA, the Ambassador of Colombia to the Government of the United States, Gabriel Silva (2012), stated that the FTA with the United States, "began a new era in diplomatic and trade alliances between the two countries . . . the treaty puts Colombia and the US in a relationship of equality in a stable legal framework." He also noted that for Colombia, a country that has an FTA with the US, "It is very important internationally, cataloging Colombia as a cosmopolitan country with favorable conditions for attracting foreign investment and competing in current international market conditions." He noted that this FTA will mean increased trade between the two countries, creating new jobs and mutual commitments to their economies (Silva, 2012). On the other hand, referring to the negative impacts that will arise from the FTA, Colombian Senator Luis Carlos Avellaneda (2011) noted that when entering free trade, the Colombian economy goes into a kind of game in which some sectors are strengthened, while others are weakened.[2]

1.3.1.1 Argument in favor of the FTA between the US and Colombia, according to the ambassador of Colombia, with the Government of the United States, Gabriel Silva

Silva (2012), referring to the positive impact of the FTA, stated that one of the objectives of the FTA is to "reaffirm to the world that we are two equal partners, joined by ideals of progress, prosperity, and opportunity."

For Silva (2012), an FTA differs from the ATPDEA as it does not need constant updating; providing commercial stability to its member countries.

[2] Annex 5, you can see his opinion.

In 2012, The Columbian Embassy in Washington, D.C., predicted that in Columbia:

- GDP would increase from 0.5 to 1 percentage point each year.
- The unemployment rate would be reduced by 1 percentage, and 500,000 jobs would be created in the next five years.
- The sectors with growth potential would constitute: clothing, textiles, leather products, metal products, vegetable oils, fruits, vegetables, cosmetics, agro-industrial products, and services.
- Colombians would benefit with products at competitive prices, thus creating more purchasing power.

The positive impact referenced is based on the idea of creating more jobs for Colombians, increasing the country's GDP, being more competitive in the world market, and taking advantage of the industries in which Colombia is strong; however, a fact that is critical to this argument is that you cannot rely solely on short term objectives; rather, the negative impacts that could occur in the long term, such as a negative trade balance for Colombia.

1.3.1.2 Argument against the FTA between the US and Colombia, according to the senator from Colombia, Luis Carlos Avellaneda

Avellaneda (2011), according to his analysis, indicated that this FTA will result in negative impacts to Colombia because there is a big difference between the economies of the two member countries of the treaty. He made a remark to the competitive conditions of Colombia against the US, taking into account different areas, such as:

a) **The size of the markets**, Colombia's exports to the US are minimal, referring to total US imports from Colombia, resulting in the total imports of the US being nearly 200 times more than Colombia's exports; Colombia's

GDP is one fiftieth of US GDP. It is worth mentioning that Colombia has a domestic market with high unemployment and a per capita income below the US. Furthermore, the existing tariff barriers, which gradually decrease in some cases and in others disappear immediately with the FTA, are much higher in Colombia. Long term results are what will promote Colombian exports to exceed imports(Avellaneda, Congress of the Republic of Colombia, 2011).

The author of this thesis agrees with Senator Avellaneda regarding his claim that the FTA would negatively impact Colombia in the long run. Colombia is proving to be a loser in this negotiation; Colombian imports are outpacing exports. This information can be confirmed in the tables of trade balances presented in the next chapter.

b) **The industrial sector**, The United States has great advantages in terms of their level of technological development, for which Colombia has become a net importer. Colombia imports large quantities of capital goods which are used for the development of the industrial sector of the country. “By removing the restriction on access to this type of property, the internal generation of a sector producing capital goods will be finished once and for all”(Avellaneda, Congress of the Republic of Colombia, 2011).

c) **The manufacturing sector**, there is already a loss of balance in Colombia against the US that only will only continue to grow (Avellaneda, Congreso de la República de Colombia, 2011).

Data analysis, gathered in 2014, has confirmed Senator Avellaneda’s statement which was made in 2011. This data can be seen in the next chapter.

d) **The primary sector**, Colombia exports mainly food and agricultural raw materials to the US, which has resulted, unlike other sectors, a positive trade balance in the last thirteen years; Colombia has a comparative advantage. However, the US has labeled these advantages “artificial” due to the government subsidies given to citizens in certain types of products.

> “Colombia has successfully implemented safeguards for long periods of relief and the ability to implement and support the program, i.e. Agro, Secure Income”(Avellaneda, Congress of the Republic of Colombia, 2011), however, no amount of safeguards and subsidies can be established as true insurance for the Colombian industry, since long-term relief only postpones the problem, while the internal support system is weak relative to the US that has enormous economic power (Avellaneda, Congress of the Republic of Colombia, 2011).

On the issue of subsidies or grants, there are twenty members of the WTO (World Trade Organization) which can subsidize their exports (Australia, Brazil, Bulgaria, Canada, Cyprus, Colombia, United States, Hungary, Iceland, Indonesia, Israel Mexico, Norway, New Zealand, Panama, Poland, Czech Republic, Slovakia, Romania, South Africa, Switzerland-Liechtenstein, Turkey, EU, Uruguay, and Venezuela). The WTO allows them to subsidize some products, but only on condition that they are gradually reduced. In the case of Colombia, the country subsidizes 18 agricultural products and the United States 13 (World Trade Organization, 2004).

The WTO (1999) reported the composition or percentage of export subsidies by product; for US exports: wheat (61%), skimmed milk powder (14%); and for Colombian exports: rice (32%), cotton (20%), and fruits and vegetables (23%). In addition, some of the products that are subsidized by the US are: sugar, meat, rice, wheat, cotton, corn, and milk; it is worth mentioning that these are also export products of Colombia (Ministry of Foreign Trade and Tourism, 2005).

Although Colombia has agricultural advantages, due to the richness of its soil, they mainly export agricultural products. Also, some US agricultural products enter the Columbian domestic market with much cheaper prices due to subsidies given by the government significantly harming Colombian producers.

e) **Service sector**, the US has a great advantage in some sectors such as finance, transportation, education, among others. Colombia will benefit some sectors, while other jobs and family incomes will be lost. There is talk of surpluses for trade liberalization in Colombia, but what is not mentioned is that there are surpluses that benefit the few sectors that are sensitive to changes in consumption patterns and fluctuations of economic cycles (Avellaneda, Congress of the Republic of Colombia, 2011).

Avellaneda (2011) gives an example:

> *Faced with a drop in the cycle, the US standard consumer probably will not decrease their demand for rice or corn, but of flowers or exotic species, while both internally ground gives way and gamble to lost production of essential foods, the diet of a standard consumer, in a clear violation of the principle of food security and sovereignty, and also increasing the level of dependency of the country.*

The two positions that have been developed over the arguments for and against the FTA are valid and have their own, individual rationale. However, data shows that the negative effects outweigh the positive ones. It is a fact that we cannot ignore the large differences between these two countries; the end result is that Colombia and the US will never receive the same benefits.

Conclusions

An FTA is considered an opening to enter into international trade, improve the national economy, reach new markets, increase levels of development, etc. But for this to happen there must be a fair trade relationship between similar developed economies. Colombia had great motivations for signing the FTA with the US; the elimination of tariffs of some products, non-tariff barriers, greatly hindering the export of their products, and increasing competitiveness against countries that already have signed treaties. While ATPDEA had some benefits to Colombia, they could not compare to the benefits obtained with an FTA. Furthermore, these systems did not provide stability to Colombia because they could be terminated at any time, depending on US policies; and meanwhile, the United States, also had its own motivations, they mainly relied on not losing share of the Colombian market, and its hegemony in the region.

Analysis of the impacts generated in Colombia from the treaty were performed, yielding two results; first, reflecting positive effects: domestic economic growth, confidence in this country for foreign investment, export to potential sectors, such as garments, textiles, leather products, metal products, vegetable oils, fruits, services, etc. and secondly, the negative effects are indicated, noting the large difference between the economy of the United States and Colombia. However, to this end, the reality is that Colombia is being affected, and a clear example of this is the National Agricultural Strike, which took place in 2013, in response to the farmers who are affected by the FTA measurements.

Finally, it is important not to ignore the role played by grants or subsidies given by each government, since they mainly affect smaller economies, and domestic production in the exporting country.

CHAPTER 2: FTA NEGOTIATION PROCESS BETWEEN US AND COLOMBIA, AND NEGOTIATED PRODUCTS

In this chapter, we will discuss the timeline for conclusion and entry into force of the FTA; rounds of negotiations; balance of trade between Colombia and the United States, five years before and years after the entry into force of the treaty, the main products of US and Colombian imports and exports; business opportunities for goods and services in Colombia and vice versa; tariff elimination; products entering the United States duty-free and into Colombia; strengths, weaknesses, opportunities and threats (SWOT) of Colombia and the United States; the business relationship of Colombia and the United States with other countries; foreign direct investment in Colombia and the United States; and the effects of the FTA on different sectors.

2.1 Chronology of the negotiation and entry into force of the FTA between the US and Colombia.

Below is a chronological summary of the major events that took place for the negotiation of the FTA between the US and Colombia. It is noteworthy that on November 18, 2003, the Office of the US Trade Representative (USTR) indicated that the US Congress intended for the administration to begin free trade negotiations with Bolivia, Colombia, Ecuador and Peru; negotiations began on May 18, 2004 and finally the FTA came into effect on May 15, 2012 (Embassy of Colombia Washington, DC, 2012).

It is also important to publicize the rounds of negotiations that were held, in order to give us further insight.

The SICE (2014) outlines the following chronogram:

2003

- **November 18th:** USTR notified the US Congress, intended to start free trade talks with the Andean countries.

2004

- **January 22nd:** Besides Colombia, Bolivia (participating as an observer), Ecuador, and Peru have expressed interest in negotiating with the US.
- **May 18th:** Colombia begins free trade talks with US and thirteen rounds of negotiations are held from May 2004 to November 2005.

2006

- **February 27th:** US and Colombia conclude the FTA.
- **August 24th:** USA notifies intention to sign FTA with Colombia.
- **November 22nd:** The US and Columbia sign the FTA.

2007

- **June 14th:** The Colombian Congress approved the FTA with the US.
- **June 28th:** Colombia and the US sign a Protocol Amending the FTA, incorporating improvements in labor and environmental provisions.[3]
- **October 30th:** The Colombian Senate approved the Amending Protocol.

[3](Columbian Embassy - Washington, DC, 2014)

2008

- **July 24th:** The Constitutional Court ruled that the FTA is part of the Constitution of Colombia and concluded the treaty's ratification procedures.

2011

- **April 7th:** Colombia and the US agreed to the Action Plan related to Colombian labor rights.
- **October 12th:** The FTA with Colombia is finally approved by the House of Representatives and the US Senate.[4]
- **October 21st:** US President signed legislation to implement the FTA with Colombia, Korea, and Panama.

2012

An implementation phase that lasted seven months (October 2011-April 2012) took place until the US Trade Representative, Ron Kirk, announced that Colombia completed the process to implement the FTA (Columbian Embassy - Washington, DC, 2014).

- **April 15th:** Presidents Obama and Santos officially announce the entry into force of the FTA on May 15, 2012.
- **May 15th:** Entry into force of the FTA between the US and Colombia(SICE, 2014)**.**

As we saw, the author notes that the FTA between Colombia and the US entered into force after nearly five and a half years after its signing in 2006 (under Alvaro Uribe). Such delay was due to the changes imposed by the US government to improve labor,

[4](Columbian Embassy - Washington, DC, 2014)

environmental protection, the implementation of protections for human rights, and the Labor Protection Plan in the Latin American country.

2.2 Rounds of Negotiations of the FTA

There were 13 rounds of negotiations and 21 roundtable discussions (covering different topics); these began in May 2004 and ended in November 2005. Ecuador and Peru also were negotiators and Bolivia was an observer country. The FTA was eventually signed in the United States.

Table 1. Rounds of Negotiations were conducted for the signing of the FTA between the US and Colombia.

	Place		**Date**	
Round	**City**	**Country**	**Initiation**	**Culmination**
1°	Cartagena	Colombia	18-may-04	19-may-04
2°	Atlanta	United States	14-jun-04	18-jun-04
3°	Lima	Peru	26-jul-04	30-jul-04
4°	Fajardo	Puerto Rico	13-sep-04	17-sep-04
5°	Guayaquil	Ecuador	25-oct-04	29-oct-04
6°	Tucson	United States	30-nov-04	04-dic-04
7°	Cartagena	Colombia	07-feb-05	11-feb-05
8°	Washington	United States	14-mar-05	22-mar-05
9°	Lima	Peru	18-abr-05	22-abr-05
10°	Guayaquil	Ecuador	06-jun-05	10-jun-05
11°	Miami	United States	18-jul-05	22-jul-05
12°	Cartagena	Colombia	19-sep-05	23-sep-05
13°	Washington	United States	14-nov-05	22-nov-05

Source: (MinCIT, 2014)
Prepared by: Martínez C. Daniela

The rounds were conducted using a different form of negotiation. In this FTA, the methodology of negotiation was established early on, based on matrices of interest and requests from negotiating countries. In the first two rounds (in Cartagena and Atlanta) the interests of the Andean countries were addressed (MinCIT, 2014).

Table 2.Negotiation roundtables (21) of the FTA between Colombia and the United States.

No.	Negotiation Roundtables
1	Access to markets (Agriculture)
2	Phyto- and animal health measures (Agriculture)
3	Industrial materials
4	Textiles and clothing
5	Technical barriers
6	Customs Procedures
7	Trade protection
8	Border services
9	Financial Services
10	Telecommunication services
11	E-commerce services
12	Government procurement
13	Investment
14	Intellectual property
15	Environmental issues
16	Labor Issues
17	Competition policy
18	Institutional Affairs
19	Settlement of disputes
20	Cooperation
21	Rules of origin

Source: (MinCIT, 2014)
Prepared by: Martínez C. Daniela

The following briefly describes each of the rounds of negotiations with the topics of interest that were negotiated, respectively.

First Round of Negotiations - Cartagena, Colombia

The structure of the first round of discussion was as follows: procedures for the preparation and revision of texts, the tentative program of work, organizational and administrative aspects of the process; a strategy defined with clear, consistent, and uniform objectives; a coordinators table and a leading spokesman identified for the Andean countries (Andean Community, 2006).

Second Round of Negotiations - Atlanta, Georgia (United States)

The structure of the second round of discussion was as follows: the process of exchange of necessary information between traders was completed; Andean countries introduced in the negotiations, the key to their development process; and initially defining the tariff elimination for market access of agricultural and industrial goods (Andean Community, 2006).

Furthermore, the Andean countries sought to gain real access to US markets, not only tariff reductions, but actions that promote phyto-sanitary measures and animal health; regarding the quota system, the interest was to increase the export quota; similarly, they sought to export products not affected by prices, due to US domestic support grants for their farmers (a topic covered in the United Nations) (MinCIT, 2014). The US emphasized the need to achieve national agreement for their goods, so that the subsidies include used items. On the issue of intellectual property, the US sought greater discretion for recording all kinds of patents, including the possibility of double patenting (for a purpose other than the original) (Andean Community, 2006).Colombia presented two very sensitive issues: biodiversity (to avoid unduly US appropriations of genetic resources and traditional knowledge of their use),as well as protection of patents and test data on drugs (MinCIT, 2014).

Third Round of Negotiations - Lima, Peru

It was on the access of goods, agriculture and textiles, intellectual property, and telecommunications services (Andean Community, 2006).

The issue of textiles and clothing was very sensitive to the two negotiators, in economic and social terms, so special treatment was given. The US imported a lot of these goods, through a system of quotas to protect their domestic production, until the quota system gradually disappeared in 2005. With the ATPDEA, these products came with tariff of 0 to the US, Colombia sought to maintain these preferences due to competitors like China, Mexico, the Dominican Republic, and other Central

American countries that already have free trade agreements with the US (MinCIT, 2014).

In telecommunication services, the objective was that the parties provide access in a non-discriminatory manner; including networks and utilities to be used by both countries, as well as establishing rules prohibiting anticompetitive practices (MinCIT, 2014).

Fourth Round of Negotiations - Fajardo, Puerto Rico

The chief US negotiator, Regina Vargo, announced that concessions made by the ATPDEA for the Andean countries would be insured, and the US maintained its proposal to dismantle the system of agricultural price bands (a mechanism which aims to stabilize the cost of importing a group of agricultural products) that apply to Colombia, Ecuador, and Peru. It was established that access to industrial goods would be complemented by what is agreed upon in the rules of origin. It is very important to the Andean countries that the US not exclude access their used goods - specifically clothing, vehicles and parts, etc. (Andean Community, 2006).

Fifth Round of Negotiations - Guayaquil, Ecuador

There was no progress on sensitive issues such as intellectual property, market access, agriculture, textiles, and price ranges in this round of negotiations (Andean Community, 2006).

Sixth Round of Negotiations - Tucson, Arizona (United States)

The roundtable discussions on agricultural began on improvements in the mutual opening of markets in the three Andean countries and the US. Regina Vargo announced two additional rounds to conclude the pending FTA issues: first in

Colombia on February 7, 2005 and the second in the US on March 14, 2005 (Andean Community, 2006).

Seventh Round of Negotiations - Cartagena, Colombia

This round covered issues concerning: the immediate elimination of tariffs for industrial goods from the Andean countries; US exportation of used clothing; intellectual property (test data, patent extension for late registration, biodiversity, traditional knowledge and medicines); agricultural safeguards (decisions made by governments for purposes of national security) price triggers; among others (Andean Community, 2006).

Eighth Round of Negotiations - Washington, D.C. (United States)

This round, also called the "mini-round," addressed: intellectual property and agriculture, in addition to issues of rules of origin, textiles, investments, and the structure of the agreement (Andean Community, 2006).

With regard to the rules of origin, the Nations sought to establish the procedures, duties, and obligations to be fulfilled to obtain preferential tariff treatment (MinCIT, 2014).

Savings and investment are very important to Colombia; this country maintained its clear objectives sustainable economic growth. Also, the negotiators addressed: measures that offer security and certainty to foreign investment, national treatment of foreign investors without discrimination, etc.(MinCIT, 2014).

Ninth Round of Negotiations - Lima, Peru

The US agreed to include in the agreement super sensitive issues for the Andean countries like biodiversity and technology cooperation. Furthermore, Peru joined the position of Colombia and Ecuador on the issue of the protection of test data for drugs (one of the elements of intellectual property) (Andean Community, 2006).

Tenth Round of Negotiations - Guayaquil, Ecuador

The following roundtables were concluded:

- Ecommerce
- Strengthening institutional capacities

The most sensitive issues: the actual access of Andean agricultural goods to the US market and the protection of drugs were still not resolved. The agricultural issue received special treatment, since these negotiations were conducted bilaterally between each of the Andean countries and the US(Andean Community, 2006).

Regarding the issue of the entry of used US goods, the Andean governments drew up a list of used products that could enter the regional market but maintained its position of not accepting the US proposal consisting of full access for all products (Andean Community, 2006).

Eleventh Round of Negotiations - Miami, Florida (United States)

The following roundtables were concluded:

- Customs
- Competition policy

The following discussions were held: Market access (industrial), textiles, rules of origin, sanitary and phytosanitary measures, border services, financial services, investments, institutional issues, dispute resolution, intellectual property, public procurement and chief roundtable negotiators (Andean Community, 2006).

- Regarding industrial goods, the economies of the US and Colombia are complementary, since Colombia exported few consumer and industrial products. In contrast, the US exports machinery and equipment. The US opened a gradual tariff reduction mechanism, from zero to ten years, ensuring the times required for the modernization and restructuring of businesses that are not ready to compete under equal conditions (MinCIT, 2014).
- On cross-border services, they sought to establish national treatment policies regarding: non-discrimination in market access; the no limitation on the number of suppliers, the amount of assets and the value or number of transactions; imposition of a local presence to provide services; etc. (MinCIT, 2014).
- On the issue of financial services, similar commitments addressed in the cross-border discussions were sought, as well as transparency (MinCIT, 2014).
- In institutional matters, a Free Trade Commission was established to oversee the implementation process, and fulfilling, of the treaty (MinCIT, 2014).
- On dispute resolution, procedures for contingencies that may arise were established (MinCIT, 2014).
- Regarding procurement, the Americans and Colombians wanted for their suppliers of goods and services to have access to the procurement processes of public bodies of each government (MinCIT, 2014).

Twelfth Round of Negotiations - Cartagena, Colombia

The following roundtables were concluded:

- Border Services
- Financial Services
- Barriers to Trade

The roundtable discussions on agriculture and intellectual property were the most complicated; on these dates, Bolivia joined in as a full negotiating partner (Andean Community, 2006).

Thirteenth Round of Negotiations - Washington, D.C. (United States)

Most negotiating tables were closed, with the exceptions of: Intellectual Property, Agriculture, and Sanitary and Phyto-sanitary Measures (Andean Community, 2006).Subsequently, the negotiations on the private sector continued; and in February 2006, the roundtable discussions on Intellectual Property concluded, followed by the other discussions that were pending closes. Thus, the negotiations of the FTA came to an end (SICE, 2014).

There were a few subjects that required extended negotiation, including: patent issues in intellectual property, sanitation, the export of used US goods, general access to agricultural goods, biodiversity, and technological cooperation.

2.3 Trade Balance between Colombia and the United States, five years before and after the entry into force of the FTA; main imported and exported products

2.3.1 Trade Balance between Colombia and the United States, five years before and after the entry into force of the FTA

Table 3. Colombia trade balance with the United States in US dollars, five years before and after the entry into force of the FTA.

	YEAR	EXPORTATIONS US$	IMPORTATIONS US$	NET US$	PERCENTAGE VARIATION
PRE FTA	2007	10,033,877,226	8,559,637,423	1,474,239,803	
	2008	13,832,364,234	11,438,774,123	2,393,590,111	62%
	2009	11,875,343,142	9,457,772,232	2,417,570,910	1%
	2010	16,217,740,423	12,043,951,424	4,173,788,999	73%
	2011	23,721,499,252	14,314,595,121	9,406,904,131	125%
POST FTA	2012	25,224,592,322	16,394,565,123	8,830,027,199	-6%
	2013	22,152,107,211	18,606,321,423	3,545,785,788	-60%

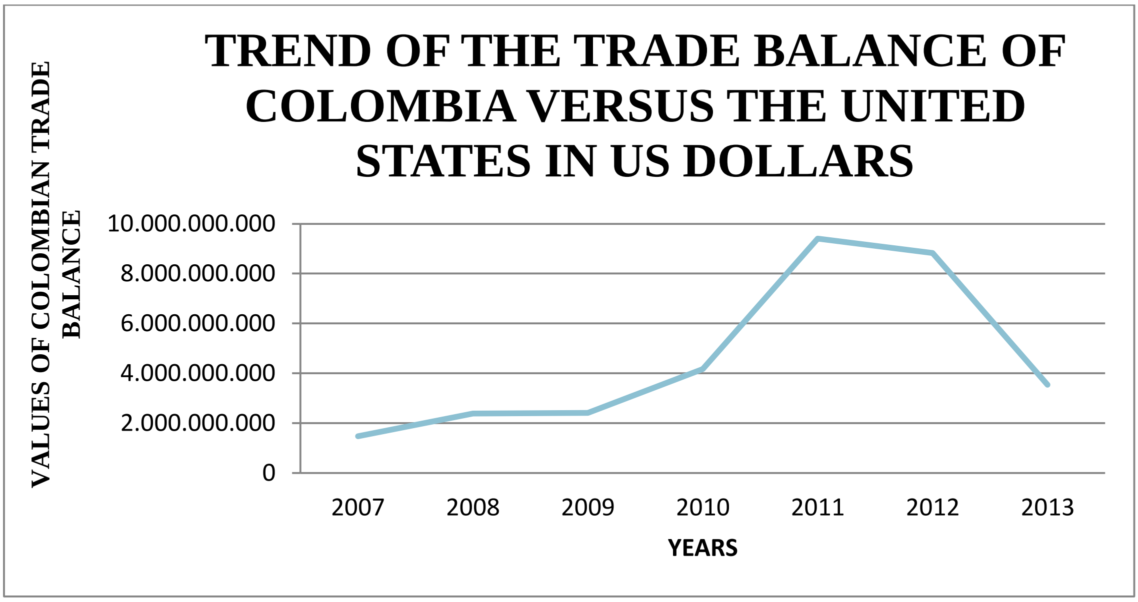
Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

According to the table, we can see that the values that Colombia exported and imported to the US, in the pre FTA years, have had an increasing trend, resulting in a positive trade balance for Colombia; which in the opinion of the author, was a determining factor for the Colombian government to decide to sign the FTA, in order to get more and more market in this country and continue to increase their exports. In analyzing the post-FTA trade balance, it appears that Colombian imports and exports from the US have continued to increase; but 2013 shows a decline.

When analyzing the percentage change in the trade balance in Colombia vs. the US (per year), it clearly shows that in the pre FTA years the variation tended to rise;

while in the years after the FTA, it decreases at an extremely large rate, reaching 125% in 2011 to 6% in 2012 and -60% in 2013; indicating that although the balance of trade surplus for Colombia in 2013 was positive, the percentage change reflected in this same year showed major decline.

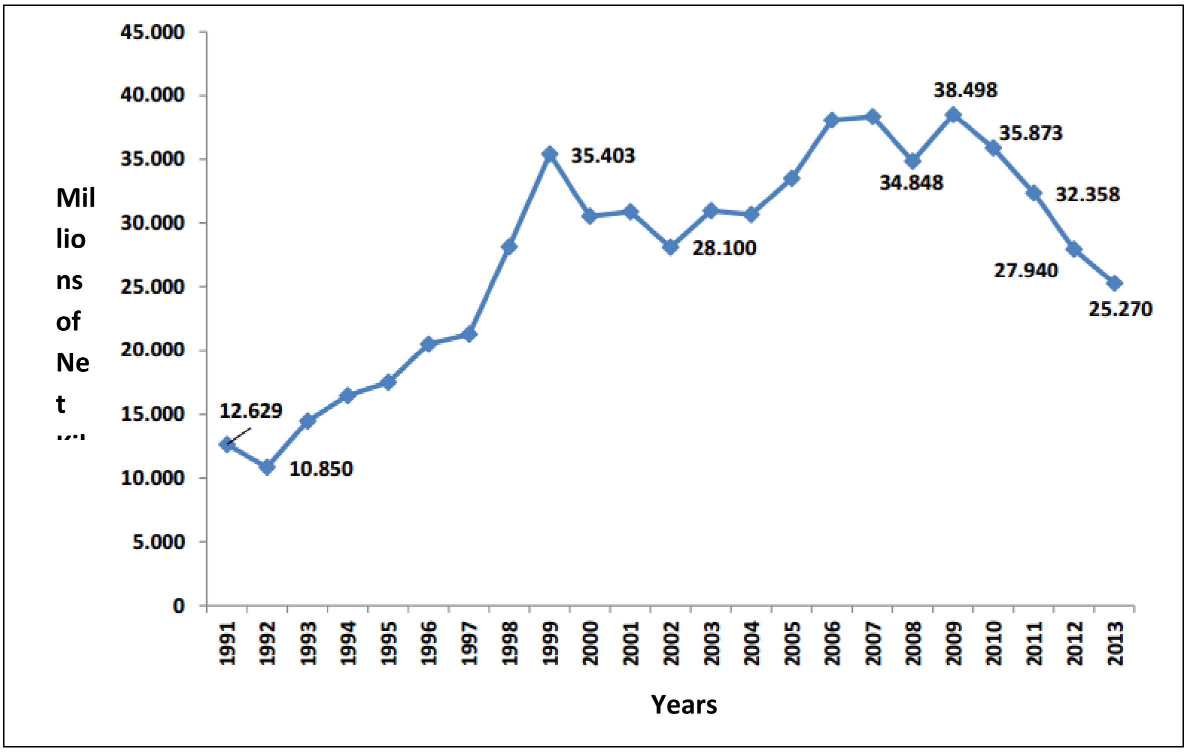
Graph 2. The trend of Colombia's trade balance with the United States in US dollars, five years before and after the entry into force of the FTA.



Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

In the chart above, you can see the downward trend of the values of the Colombian trade balance after the entry into force of the FTA with the US in 2012.

Graph 3. Volume of Colombian exports to the United States, period 1991 - 2013, in millions of net kilos.

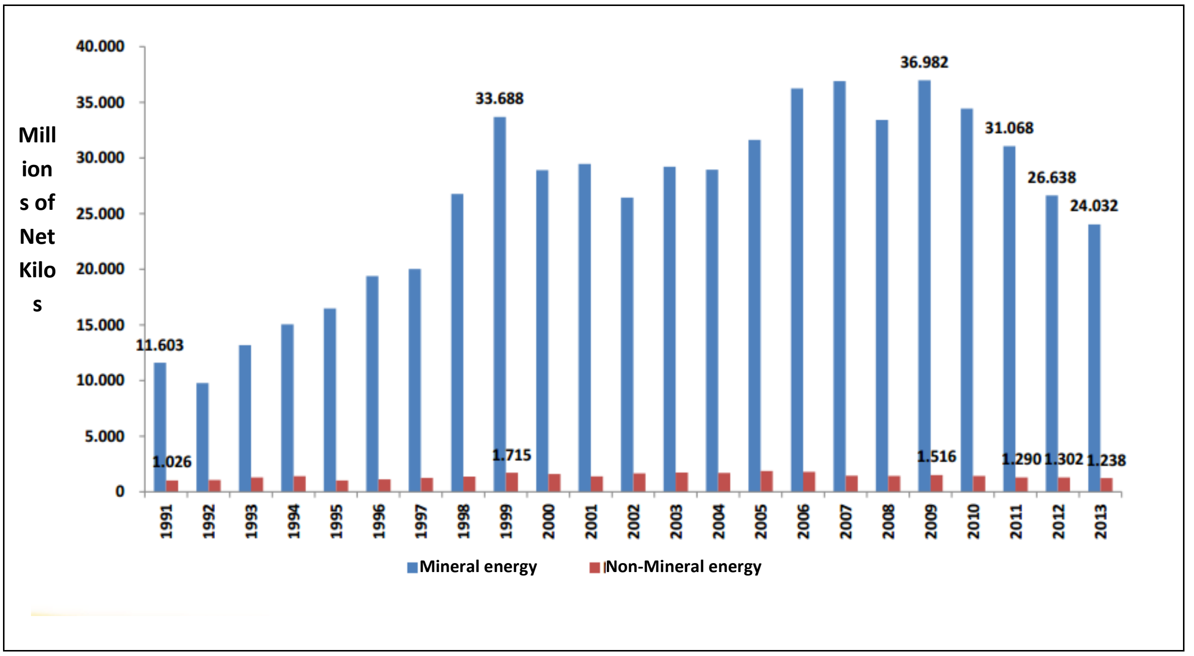


Source: (DANE-DIAN-Cálculos OEE Mincomercio, 2014)
Prepared by: Martínez C. Daniela

As can be seen in the graph, since 2007, Colombian exports to the United States in millions of net kilos have had a downward trend; except for 2009 where an increase of millions of kilos of exports occurs. However we see that from 2009 to 2013 export volumes declined from 38.498 billion to 25.270 billion net kilos. In the opinion of the author, both the quantity and weight values are directly related.

The following graph shows the various volumes of exports from Colombia to the United States during the period of 1991 – 2013, of goods and non-energy mined minerals and total exports by sea.

Graph 4. Volume of Colombian exports to the United States of goods and Mineral and Non-mineral energy, period 1991 - 2013, in millions of net kilos.



Source: (DANE-DIAN-Cálculos OEE Mincomercio, 2014)
Prepared by: Martínez C. Daniela

As we can see in the graph, there is an overall decrease in millions of kilos from 2009 through 2013, in exports of goods and non-energy mined minerals from Colombia to the US.

Table 4. Volume of Colombian exports to the United States of energy and non-energy mining materials, period 2012 - 2014, in millions of net kilos.

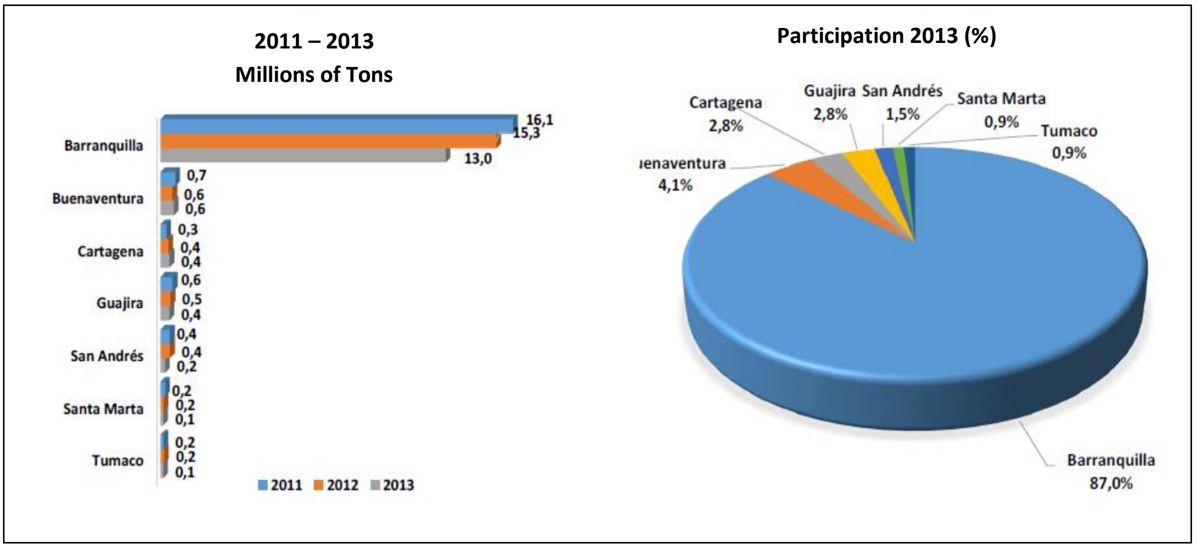
Total	Millions of US Dollars						Millions of Net Kilos					
	Year Completed		Variation	Period		Variation	Year Completed		Variation	Period		Variation
	2012	2013	2012/2013	Jan - Sep 2013	Jan - Sep 2014	Jan - Sep 13/14	2012	2013	2012/2013	Jan - Sep 2013	Jan - Sep 2014	Jan - Sep 13/14
Total	21,833.3	18,458.9	↓ -15.5%	14,686.4	10,895.4	↓ -25.8%	27,939.5	25,269.6	↓ -9.6%	19,379.40	16,107.30	↓ -16.9%
Mineral Energy	18,418.0	15,034.3	↓ -18.4%	12,076.8	8,025.1	↓ -33.5%	26,637.8	24,032.0	↓ -9.8%	18,494.90	14,888.40	↓ -19.5%
Non Mineral Energy	3,415.3	3,424.5	↑ 0.3%	2,609.6	2,870.3	↑ 10.0%	1,301.8	1,237.6	↓ -4.9%	884.50	1,218.90	↑ 37.8%
Agricultural	2,061.7	2,119.5	↑ 2.8%	1,625.7	1,809.2	↑ 11.3%	863.0	858.9	↓ -0.5%	612.70	778.30	↑ 27.0%
Agroindustrial	329.7	288.4	↓ -12.5%	217.3	235.3	↑ 8.3%	133.5	116.7	↓ -12.6%	72.20	190.90	↑ 164.4%
Basic Industrial	286.8	236.9	↓ -17.4%	180.3	217.8	↑ 20.8%	150.9	120.8	↓ -19.9%	93.60	104.00	↑ 11.1%
Light Industrial	557.2	572.7	↑ 2.8%	429.1	451.8	↑ 5.3%	137.7	126.5	↓ -8.1%	95.20	131.40	↑ 38.0%
Machinary and Equipment	156.4	185.7	↑ 18.7%	140.6	139.3	↓ -0.9%	10.2	9.6	↓ -5.9%	7.00	10.20	↑ 45.7%
Automotive Industry	14.6	12.5	↓ -14.4%	9.1	13.4	↑ 47.3%	5.3	4.0	↓ -24.5%	2.90	3.30	↑ 13.8%
Misc. Products	8.8	8.8	↑ 0.0%	7.4	3.5	↓ -52.7%	1.2	1.1	↓ -8.3%	0.90	0.90	↑ 0.0%

Source: (DANE-DIAN-Cálculos OEE Mincomercio, 2014)
Prepared by: Martínez C. Daniela

The table shows, in terms of millions of dollars, exports from 2012-2013 in some of the different product groups have declined, giving us a negative change; however, other product groups show a positive change. Given the variation in exports in the first half of 2014, compared to the first half of 2013, there appears to have been a positive fluctuation for certain groups; such as energy, agriculture, non-mining agro products.

On the other hand, considering the same groups of products but in terms of millions of net exported kilos, we note that in 2012-2013 the amounts have fallen, presenting a negative variation, but as to the amount exported in the first half of 2014 compared to the first half of 2013, we see that the negative variation decreases, and there is an increase in export quantities of various groups of non-energy products such as mining, agriculture, agribusiness, as well as basic, lightweight, and automotive industry products, among other products.

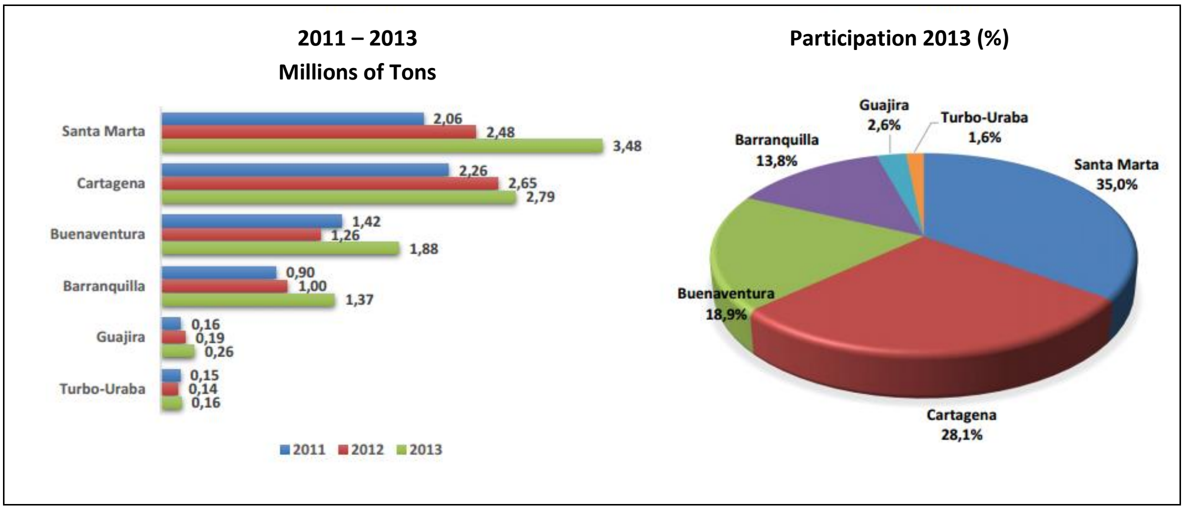
Graph 5. Total volume of Colombian exports to the United States by seaport, in millions of tons.



Source: (DANE-DIAN-Cálculos OEE Mincomercio, 2014)
Prepared by: Martínez C. Daniela

We can see in the graph the volumes of total Colombian exports destined for the US from the various seaports; these being *Barraquilla*, the port with the highest exports out of the country, accounting for 87 percent of them; and *Tumaco* and *Santa Marta* who send smaller amounts, with 0.9 percent each. In total, through these ports, Colombia has exported to the US 18.5 million tons in 2011, 17.9 million tons in 2012 and 14.8 million tons in 2013.

Graph 6. Volume of total Colombian imports from the United States, by seaport, in millions of net kilos.



Source: (DANE-DIAN-Cálculos OEE Mincomercio, 2014)
Prepared by: Martínez C. Daniela

In the graph we can see the volumes of total Colombian imports from the US entering by different seaports, *Santa María* being the port where the highest amounts of imports enter into the country, accounting for 35 percent. *Turbo-Uraba* and Guajira receive smaller amounts at 1.6 to 2.6 percent, respectively. In total, through these ports, Colombia has imported 6.95 million tons in 2011, 7.72 million tons in 2012 and 9.94 million tons in 2013 from the US.

In the author's opinion, and according to Figure 5 and Figure 6, in terms of millions of tons exported and imported by Colombia to and from the US, we see that exports have fallen and imports have increased since 2011-2013.

2.3.2 Main Colombian and US import and export products, five years before and after the entry into force of the FTA

Table 5. List of the top 20 products exported from the US to Colombia, five years before and after the entry into force of the FTA, US $.

		YEARS						
	PRODUCT	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
1	Mineral fuels and oils	393,830,123	1,138,964,242	926,644,121	1,601,400,141	2,559,414,142	3,847,813,253	4,993,019,272
2	Machinery and mechanical appliances nuclear reactors	1,721,366,111	2,157,022,111	1,914,993,524	2,109,136,123	2,275,128,231	2,262,659,263	1,974,011,263
3	Air navigation	383,928,142	622,728,164	1,158,617,678	537,325,838	1,268,744,765	483,419,364	1,170,059,345
4	Organic chemicals	958,923,645	1,086,013,635	696,324,152	907,884,342	1,020,327,154	968,272,274	1,075,963,756
5	Plastic and derived materials	492,248,121	533,608,233	469,524,231	581,025,111	672,869,242	713,832,263	769,916,294
6	Machinery and electrical equipment	599,168,222	709,783,223	613,266,821	654,393,162	748,609,252	705,740,384	711,737,284
7	Vehicles, cars, tractors and parts	307,350,555	520,006,163	396,854,253	487,065,263	711,688,243	590,571,295	707,481,394
8	Instruments, Optical, photographic, cinematographic	387,897,132	479,269,662	402,135,626	478,799,166	530,895,225	566,208,284	586,620,834
9	Pharmaceutical products	196,904,223	233,489,636	308,008,263	360,853,536	370,055,533	410,719,854	4,819,452,843
10	Cereals	865,612,633	1,137,813,252	429,865,555	312,434,183	430,674,837	276,502,455	477,804,374
11	Waste from the food industries for animals	168,369,736	257,245,636	112,585,626	97,509,262	147,526,727	214,266,837	319,224,737
12	Articles of Iron or Steel	181,236,626	266,759,172	248,741,737	221,118,273	284,541,262	309,625,847	239,807,475
13	Paper, paperboard, articles of pulp	186,132,684	193,333,273	146,940,282	161,103,822	165,227,727	154,067,274	169,947,845
14	Fertilizers	122,340,636	197,153,727	97,446,626	152,163,626	186,015,243	173,350,844	164,744,993
15	Meat and edible offal	7,897,166	16,069,272	9,676,272	17,454,363	31,754,828	53,784,847	119,560,353
16	Miscellaneous edible preparations	37,360,373	42,906,263	48,000,000	49,832,273	72,481,132	107,775,745	110,333,834
17	Tanning extracts, dyeing, paintings, their derivatives	61,017,833	73,718,734	68,399,939	89,825,734	113,695,373	105,724,345	102,473,364
18	Cotton	106,506,745	102,734,635	94,811,222	117,179,228	146,804,274	80,483,474	99,675,346
19	Essential oils, perfumery toilet preparations	51,404,273	52,860,844	59,010,283	69,014,384	76,859,000	87,674,834	94,843,375
20	Seeds and various fruits	110,818,132	121,289,374	105,613,273	79,434,744	67,342,273	111,864,374	82,117,735

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

When performing an analysis of the main products imported by Colombia from the US, the author, first, notes that most are not consumer products, but industrial. On the other hand, it shows that there are some imported products produced in the Colombian territory. Such is the case of cereals (such as rice, soy products, sorghum, among others), meat, seeds and various fruits; this has greatly affected the Colombian economy and their producers; a consequence of this was the national agricultural strike that occurred in 2013.

Senator Jorge Robledo indicated that ever since the FTA went into effect, Columbia has come out on the bottom.

Robledo (2013) says that agricultural imports have increased by 70% in just 10 months into the FTA, rice imports increased by 1,929% over the whole of 2011, i.e. more is being imported than what is being exported. He said that the trade balance is negative as imports, mainly agricultural products, have increased significantly in this sector.

Robledo (2013) explained:

> *According to the Department of Agriculture of the United States, between June 2011 and March 2012, when the FTA was not yet in force, agricultural imports totaled 1,042,914 tons. Between June 2012 and March 2013, when the FTA was in full force, imports were 1,770,970 tons, which means that agricultural imports have increased by 70%.*

They have entered significant quantities of rice, milk, meat, soybeans and oil products from the US to Colombia, which affects domestic production as evidenced by the following table (Robledo, CONGRESS OF THE REPUBLIC OF COLOMBIA, 2013).

Table 6. Colombian imports from the US (in tons).

Product	**2011**	**May 2012 - March 2013**	**Variation %**
Rice	4.820	97.798	1929%
Fluid milk	4.526	85.919	1798%
Whole milk powder	325	609,2	87%
Nonfat dry milk	421	3.172	653%
Cheese and curd	581	1.321	127%
Chicken	364.082	364.735	0,17%
Turkey	284	1.067	276%
Pork	1.123	16.788	79%
Soy	79.568	202.681	155%
Soy foods	151.769	360.962	138%

Source: (Foreing Agricultural Service, United States Department of Agriculture, 2014)
Prepared by: Martínez C. Daniela

Robledo (2013) indicated that:

> *According to United States Census Bureau, sales of Colombian products to the US in March 2013, ten months into the FTA, fell by 18% compared to March 2012, without the FTA. Running counter to the same months, imports of US goods rose by 9.31%, demonstrating that the FTA has worsened the trade balance in goods with the United States.*

Continuing with the analysis, in Table 5, the author highlights a considerable growth in imports from Colombia since the beginning of the FTA. Thus, while validating Senator Jorge Robledo's opinion, it can clearly be concluded that the FTA, since

2012, has generated detrimental decreases in both Colombian national production and jobs; especially in the agricultural sector.

Table 7. List of the top 20 products exported from Colombia to the United States, five years before and after the entry into force of the FTA, US $.

		YEARS						
	PRODUCT	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
1	Mineral fuels, mineral oils and products of their distillation	5,547,656,253	8,784,421,273	6,938,044,734	10,782,307,333	17,170,170,273	17,989,144,237	15,676,629,283
2	Natural or cultured pearls, precious stones, semiprecious and similar	501,552,263	736,482,634	1,210,902,744	1,637,126,364	2,257,042,635	3,186,616,283	2,472,191,238
3	Coffee, tea, mate and spices	709,418,938	846,241,263	743,236,283	835,186,237	1,358,151,264	934,223,345	961,734,384
4	Live plants and floricultural products	638,164,274	646,758,263	639,443,374	686,421,263	703,057,274	771,845,284	785,832,394
5	Edible fruit and nuts; peel of citrus fruit or melons	204,535,374	265,559,304	287,550,349	318,027,955	250,865,347	289,713,237	295,628,374
6	Plastics and articles of these materials	169,874,263	164,856,394	113,198,034	162,487,349	178,130,304	159,608,237	140,846,834
7	Articles of apparel and clothing accessories, knitted or crocheted	156,104,844	146,635,384	107,832,349	123,387,934	109,927,384	106,976,237	116,030,283
8	Miscellaneous edible preparations	30,682,294	44,614,039	84,477,349	134,497,009	144,543,384	118,594,445	107,299,284
9	Articles of apparel and clothing accessories, knitted or crocheted	239,185,034	206,698,294	120,907,348	142,362,944	119,482,947	108,365,273	107,186
10	Aluminum and articles of aluminum	102,127,439	55,693,373	35,135,349	46,241,294	42,085,348	54,799,945	73,423,347
11	Sugars and sugar confectionery	35,633,123	44,576,284	94,670,348	65,355,394	75,586,374	98,546,384	71,557,389
12	Organic chemicals	12,240,374	22,255,237	19,009,238	43,975,232	45,579,304	52,036,238	51,087,237
13	Articles of cast iron or steel	117,537,283	194,074,273	38,819,029	76,914,172	114,060,203	116,170,238	50,131,374
14	Machines nuclear reactors, boilers, machinery and mechanical appliances	56,321,293	49,205,344	37,185,233	44,614,340	59,060,384	58,530,845	49,399,340
15	Fish and crustaceans, mollusks and other aquatic invertebrates	33,832,039	37,943,347	32,594,575	36,060,432	42,448,832	44,756,383	48,613,847
16	Glass and glassware	34,582,345	48,937,475	45,985,395	52,768,044	55,967,394	63,135,347	44,308,934
17	Other textiles, clothing accessories; sets / assortments	22,936,384	17,325,283	19,471,834	24,266,243	30,458,384	27,696,348	38,566,347
18	Ceramic products	69,955,393	67,299,304	53,659,343	52,640,384	39,492,264	33,660,744	35,779,458
19	Preparations of cereals, flour, starch or milk; pastry shop	24,058,304	24,817,048	28,003,045	26,290,384	28,087,347	31,824,347	31,920,495
20	Machinery and electrical equipment, parts thereof; apparatus for recording	84,691,345	86,077,385	56,150,340	39,825,586	57,776,496	46,786,459	31,426,385

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

According to Table 7, the author states that, unlike the US, most Colombian exports are goods for human consumption and commodities such as coffee, tea, mate and spices, edible fruit, food preparations, various sugars, fish, shellfish, pearls, gemstones etc.; and fewer exports of industrial goods such as: manufacturing, molding, ceramic products, machinery, and electrical equipment, etc. In Colombian exports, it appears that since the FTA came into effect, some have increased and others have decreased; for example: exports of clothing, aluminum, and ceramic products have grown since 2012, while exports of: pearls, coffee, tea, and others have decreased. However, note that, in certain specific cases, a growing trend is seen in exports from 2007 to 2013 of products such as fish, crustaceans, mollusks, preparations of cereals, flour, starch, pastries, etc.

By comparing US and Colombian exports, the data indicates that there are exclusive Colombian products like: coffee, tea, aquatic products, floriculture, etc. and exclusive American exports, mainly: machinery, vehicles, essential oils, appliances, among others. Although there are a large number of similar products that the two countries export, Colombia imports more than it exports; like: mineral fuels and oils, plastics, various food preparations, organic chemicals, iron, and steel.

The following table gives a visual representation of these facts.

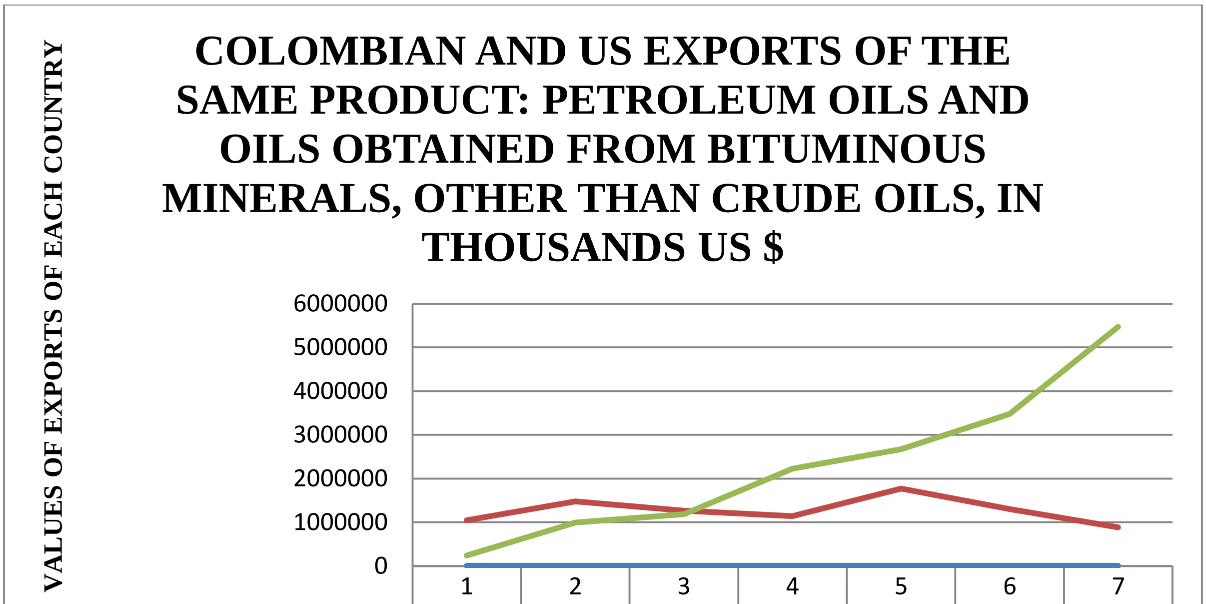
Table 8. Products exported from Colombia to the United States and vice versa, five years before and after the entry into force of the FTA, in thousands of US $.

		YEARS						
	PRODUCT	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Columbian Exports to the US	Crude oils obtained from bituminous minerals	4,493,007	7,320,828	6,351,964	9,899,132	13,406,304	13,859,136	11,778,170
	Petroleum oils and oils obtained from bituminous minerals, other than crude oils	1,047,785	1,478,652	1,266,448	1,137,890	1,769,729	1,299,012	885,557
US Exports to Columbia	Crude oils obtained from bituminous minerals	0	0	0	0	0	0	0
	Petroleum oils and oils obtained from bituminous minerals, other than crude oils	238,222	991,190	1,187,711	2,223,379	2,669,450	3,476,323	5,472,587
	Petroleum gases and other gaseous hydrocarbons	150	152	320	536	1,187	285	759

Source:(TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

Colombia exports raw products to the US who in turn export processed products; this can be observed in the analysis of Table 8. For example, the US also exported to Colombia crude petroleum oils obtained from bituminous minerals and petroleum oils of bituminous materials. It is important to see how Colombian exports of these products to the US have been declining; while the same products exported by the US through the years have increased.

Graph 7. Colombian and US exports of the same product: Petroleum oils and oils obtained from bituminous minerals, other than crude oils, in thousands US $.



	1	2	3	4	5	6	7
YEARS	2007	2008	2009	2010	2011	2012	2013
Colombian exports to the US	1.047.785	1.478.652	1.266.448	1.137.890	1.769.729	1.299.012	885.557
US exports to Columbia	238.222	991.190	1.187.711	2.223.379	2.669.450	3.476.323	5.472.587

Source: (TRADE MAP, 2014)
Prepared by: Martínez C., Daniela

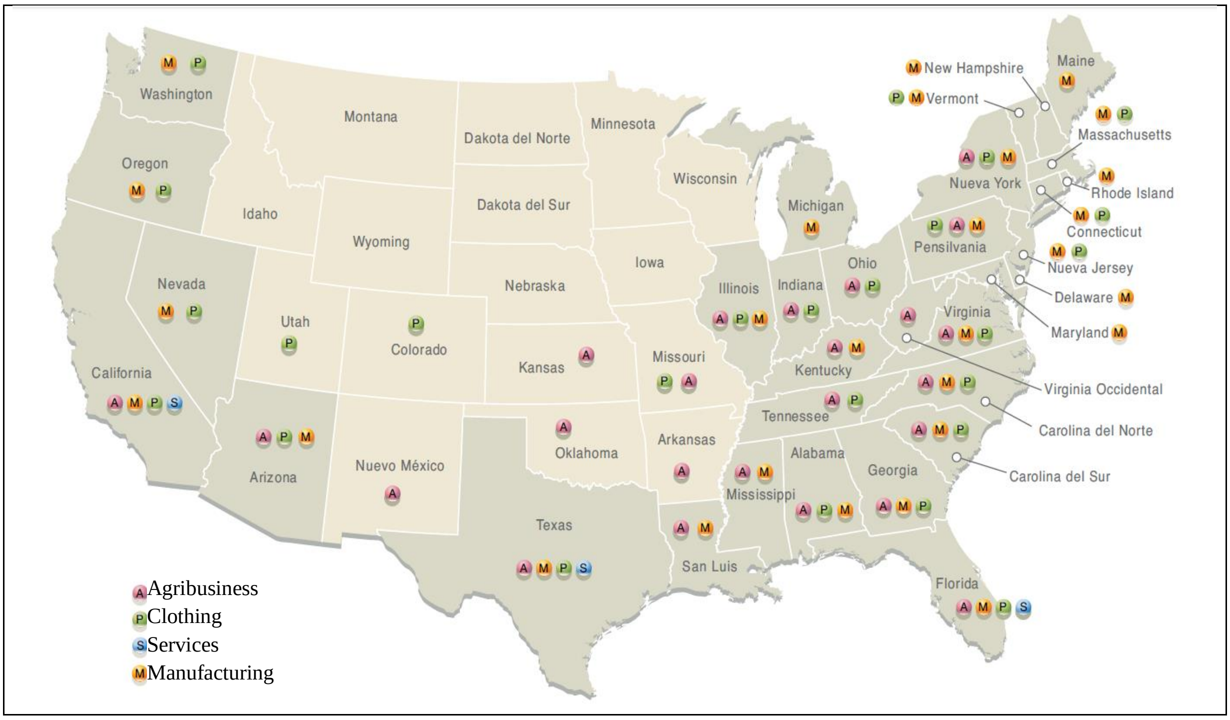
In the graph, we can clearly see that petroleum oils obtained from bituminous materials, other than crude oils, petroleum gas, and other gaseous hydrocarbons exported from Colombia to the US have been decreasing until 2013; while the US' exports of the same product to Colombia increasingly grew.

2.4 Business opportunities in goods and services to Colombia in the United States and vice versa

2.4.1 Business Opportunities for Colombian goods in the US

In 2011, *ProExport*, in charge of promoting international tourism, foreign investment and non-traditional exports in Colombia, made a map where you can see the business opportunities for Colombia in the United States. It detected the opportunities for Colombian entrepreneurs in the sectors of clothing, agribusiness, services, and manufacturing. The map below shows the US states with the potential to implement new Colombian businesses.

Map 1.Business opportunities for Colombia in the United States.



Source: (PROEXPORT COLOMBIA, 2011)
Prepared by: (PROEXPORT COLOMBIA, 2011)

Below is a matrix in which you can see the opportunities for different sectors/products in different US states; to see the complete list go to the annex 6.

Table 9.Business opportunities for Colombian goods in the United States.

GOODS	New York	California	Texas	Georgia	Florida	North Carolina	South Carolina	Washington	Nevada	Illinois
Agribusiness										
Flowers	X		X		X	X	X			X
Sugar		X	X							
Nostalgic Products (coffee, *arepas*, cheese, brown sugar)	X		X	X	X	X	X			
Manufactures										
Housewares	X	X	X	X	X	X	X			X
Natural cosmetics and beauty care	X		X	X	X	X	X			
Building materials	X	X	X	X	X	X	X			X
Auto parts / assemblers				X						X
Supplies										
Clothing	X	X	X	X	X	X	X	X	X	X
Leather and accessories	X	X	X		X				X	X
Name brand and designer clothing	X	X	X	X	X	X	X	X	X	X

Source: (PROEXPORT COLOMBIA, 2011)
Prepared by: Martínez C., Daniela

There are several business opportunities for Columbia that can be seen in the previous table; however, despite the existence of such opportunities, many of these markets have failed to import Colombian products in large quantities, for example the agricultural sector.

2.4.2 Business Opportunities for Colombian services in the United States

Within the service sector there are no tariffs. It was anticipated that the FTA between Colombia and the US would greatly benefit this sector due to advances in technology, communication development, and the internet; improving competitiveness and generating jobs. In Colombia, it was speculated that the FTA would benefit the following services: health, outsourcing through Business Process Outsourcing (BPO), information technology, software, digital animation, audiovisual, graphic communication and engineering, and construction services.(PROXPORT & Ministry of Commerce, PROEXPORT COLOMBIA, 2012).

In the FTA, both countries agreed on market access in most service sectors. Colombia agreed to meet commitments in the WTO, such as: removing investment barriers, allowing US companies to hire US citizens, rather than only to Colombian citizens, and allowing the establishment of branches of banks and insurance companies to providers of financial services of the US(Villarreal M. A., Congressional Research Service, 2014), gradually eliminate restrictions on the market for cable television, and providing better access to US portfolio management service providers (Office of the United States Trade Representative).

Below is a table of opportunities for Colombian services in the US. Annex 7 gives more information on the subject, including places within the Andean country that are strong in these services.

Table 10.Business Opportunities for Colombian services in the United States.

SERVICES	Nationally	California	Texas	Florida
Business Process Outsourcing (BPO)	X			
Software	X	X		
Digital Animation	X	X		
Exportation of Health Services		X	X	X
Audiovisual, Graphic communication, engineering, and construction services	X			

Source: (PROEXPORT COLOMBIA, 2011)
Prepared by: Martínez C. Daniela

In the table we can see that there are business opportunities for the services provided by Colombia across the US such as software, digital animation, and health services; mainly in California, Texas, and Florida.

2.4.3 Business opportunities for goods and services from the United States in Colombia

There is no detailed analysis of the opportunities that American products and services have in Colombia. The reason is because the US usually hard tackles a market, finding business opportunities in all sectors of a country.

2.5 Tariff Elimination Program

In the negotiations of the Free Trade Agreement between the US and Colombia, a tariff elimination program was established for products in each country. A "basket" is the period of time that must elapse for relief or total elimination of tariffs on goods to be exported by the parties and are represented by the capital letters of the alphabet. Baskets B, C, D, etc. are allocated according to the sensitivity of the products for both the US and Colombia, in order to protect domestic interests; while other products (less sensitive) fall into "basket A," i.e. those products whose taxes are immediately reduced upon the entry into force of the treaty.

Table 11. FTA tariff elimination between the US and Colombia.

	BASKETS	**Time allowance**
	A	Immediate
	B	Up to 5 years
	C	Up to 10 years
	D	Up to 15 years
	E	Keeps base tariff for 10 years from year 11, are eliminated in seven years.
	F	Already have free tariff and service
	T	Up to 11 years
Baskets added by the United States (2)	**R**	The tariff imposed shall be equal to the full value of the item under the basket including obligations for the respective tariff heading; the first 10 years shall be free.
	S	Duty shall be released after the entry into force of the FTA the following headings: 98120020, 98120040, 98130005, 98130010, etc. (Goods of Chapter industrial contractors).
Baskets added by Columbia (13)	**H**	Up to 3 years
	K	Up to 7 years
	L	Up to 8 years
	M	Up to 9 years
	N	Up to 12years
	U	10% Year 1 and 2, 30% Year 3, Year 4 20% and 30% Year 5.
	V	37.5% year 1, year 2-10 reduced in 9 equal annual stages.
	W	33% year 1, year 2-10 reduced in 9 equal annual stages.
	X	Base rate 1-5 years, 6-18 year reduced in 13 equal annual stages.
	Y	Base rate 1-10 years, 11-18 year reduced into 8 equal annual stages.
	Z	Base rate 1-6 years, 7-19 year reduced in 13 equal annual stages.
	AA	Duty-free entry into force.
	BB	Up to 18 years

Source: (FTA Colombia - US. General Notes Tariff Schedule of Colombia, 2012)
Prepared by: Martínez C., Daniela

The above table shows the "baskets" agreed upon between the two countries and their respective periods in years for the different rebates depending on the type of good. The US added two "baskets," corresponding to R and S, and Colombia added 13 baskets, corresponding to H, K, L, M, N, U, V, W, X Y, Z, AA and BB. In Annex

8, you can find a link with the complete lists of agricultural and nonagricultural products, with additional data and their respective tariff elimination.

Both Colombia and the US have their flagship products. The sectors that have greater representation in the Gross Domestic Product (GDP) of each country are presented below.

Colombia's GDP consists mainly of agricultural products such as coffee, cotton, sugarcane, maize, rice, cocoa, bananas, potatoes, nuts and flowers, among others. Similarly, manufacturing is very important and includes drinks, food, textiles, and chemicals (Arango, Colombian Economic Structure - Eighth Edition, 1997). As for the US, its agricultural sector is considered the most important in the world for its high productivity and the use of modern technologies, mainly producing corn, soybeans, beef and cotton; nevertheless, agriculture accounts for only 1% of GDP. On the other hand, industry represents nearly a quarter of GDP; this sector includes the manufacture of electrical and electronic machinery, chemicals, and industrial machinery. Also the food industry, the automotive, aerospace, pharmaceuticals, production of various minerals, liquid natural gas, aluminum, electricity, and nuclear energy are major sectors in the US GDP. The most significant for the US GDP sector is services, which represents more than three quarters of GDP (Santander Trade, 2014).

It should be noted that competitive products are in the early "baskets" and those who are not competitive are in the last "baskets;" the following section is an outline of US and Colombian products with their respective "baskets."

2.6 Products entering the United States and Colombia, duty free.

2.6.1 Colombian export products to the United States, duty free.

Prior to analyzing the lists of allowances, it is important to mention that the tariff preferences granted to Colombia by the ATPDEA, unchanged, maintained and expanded; benefit the sectors of flowers, clothing, tobacco, cocoa, plastics, and leather. Under the FTA, about 500 Colombian products have great export potential to the US (MinCIT, 2011).

The FTA has generated 10,634 tariff subheadings that can enter the United States duty free. These subheadings are distributed among agricultural, industrial and manufactured goods, as shown in the following table (PROEXPORT COLOMBIA, 2012).

Table 12. Colombian agricultural, industrial and manufactured goods that will be included in the FTA duty free (tariff subheadings).

Agricultural, industrial, and manufactured goods	**tariff subheadings**	**Baskets**							
Agricultural Goods	**1,817**	**A**	**B**	**C**	**D**	**F**	**Quotas**	**R**	**S**
	1,233	X							
	2		X						
	9			X					
	35				X				
	388					X			
(Beef, dairy, sugar, and tobacco)	150						X		
Industrial Goods and Textiles	**8,817**								
	5,176	X							
	20			X					
	3,603					X			
Special cases of Chapter 98 of the tariff – Duty Free as prescribed by US	1							X	
	17								X

Source: (PROEXPORT COLOMBIA, 2012)
Prepared by: Martínez C., Daniela

The table shows the number of subheadings that will be removed immediately or have a gradual reduction, in relation to agricultural, industrial and manufactured goods. The quotas refer to beef, dairy, sugar, and tobacco that are imported into the US duty free, provided they comply with the quota established by the WTO, but if the quantity exported exceeds the quotas, the products are subject to tariffs. As for the R and S baskets, these refer to the special cases of Chapter 98 and the established measures prescribed by US.

2.6.1.1Colombian products immediately and gradually entering the United States without tariffs

Table 13. List of Colombian products entering the United States duty free immediately upon entry into force of the treaty and products entering with gradually decreasing tariffs over a certain amount of years.

	BASKETS			
Agricultural and Non-agricultural goods	**A**	**B**	**C**	**D**
Textiles	X			
Garments (including lingerie, swimwear and clothing for home).	X			
Footwear and leather goods (including shoes made from synthetic raw materials).	X			
Coffee	X			
Fruits (subject to compliance with health records): banana, avocado, melon, pepper, passion fruit, pineapple, papaya, lemon, gooseberry, other.	X			
Vegetables: tomatoes, spinach, sage, spinach, arugula, celery, other.	X			
Flowers	X			
Cold meats	X			
Cigarettes	X			
Herbs	X			
Cotton	X			
Ethanol	X			
Palm oil	X			
Prepared foods, pastries and biscuits.	X			
Yogurt	X			
Porcelain and Jewelry	X			
Metalworking products such as window frames and tools.	X			
Chemicals and petrochemicals.	X			
Cosmetics and perfumes.	X			
Office supplies such as pencils, brushes and special crayons.	X			
Dairy				X
Carnes			X	
Sugar (includes confectionery and chocolate for industrial use)			X	
Tobacco				X

Source: (Columbian Embassy - Washington, DC, 2012).
Prepared by: Martínez C., Daniela

When analyzing the table, it clearly shows that products greatly contributing to the Colombian GDP are in basket A; i.e. they have immediately liberalized in the FTA, which also means they are competitive products.

The following are less competitive and sensitive products:

- Dairy - a quota for preferential access at 9,000 tons, in addition to the quota set by the WTO; consisting of: liquid milk (100 tons), butter (2,000 tons), ice cream (300 tons), cheese (4,600 tons), and other milk based products (2,000 tons). Exports exceeding the paid quota tariffs shall be removed in a period of 11 to 15 years (Columbian Embassy - Washington, DC, 2012).
- Meats - a quota for preferential access at 5,000 tons, with an annual growth of 5% in fees. Total exemption will be reached in 10 years (Columbian Embassy - Washington, DC, 2012).
- Sugar - preferential access quota is 50,000 tons, representing an annual growth of 1.5% (Columbian Embassy - Washington, DC, 2012).
- Tobacco - preferential access quota is 4.000 tons. Total exemption will be reached in 15 years (Columbian Embassy - Washington, DC, 2012).

The Colombian Embassy in Washington DC (2012) noted that 99.9% of the exportable industrial supply from Colombia immediately enters the US without tariffs.

2.6.2 US exports to Colombia, duty free

2.6.2.1 US products, immediately and gradually, entering into Colombia duty free

Table 14. List of US goods entering Colombia duty free upon the entry into force of the treaty; as well as products entering Colombia with tariffs, gradually decreasing over a certain amount of years.

	BASKETS								
Agricultural and Non-agricultural goods	**A**	**B**	**K**	**C**	**T**	**N**	**D**	**X**	**Z**
Equipment and construction materials such as bricks, blocks, tiles and ceramics	x								
Equipment for agriculture	x								
Aircraft and aircraft parts	x								
Some vehicles like tractors, trolleys, vehicles for more than 16 people, 4x4 over 3,000 cc, dump trucks, drillers, and sweepers	x								
Fertilizers	x								
Information and communications technologies	x								
Medical equipment	x								
Textiles and apparel	x								
Cotton	x								
Cereals: wheat, barley, soybeans	x								
Snuff and derivatives	x								
Beef	x								
Milk	x								
Bacon	x								
Cane sugar, glucose, fructose, chocolates, candy, gum, and other confectionery	x								
Fresh and processed fruits: apples, grapes, cherries, pears and nuts - peanuts, etc.	x								
Vegetables	x	x							
Rice									X
Chicken								x	
Milk powder							x		
Butter, cream					x				
Yogurt, processed dairy							x		
Corn						x			
Standard quality meats				x					
Pork		x		x					
Sugar, caramelized sugar, syrup, raw cane sugar, raw sugar beets.		x							
Vehicles		x		x					
Industrial Products									
Paper, ink, iron and steel, glass and vehicle parts		x							
Petrochemical-plastic chain			x						

Source: (Columbian Embassy - Washington, DC, 2012).
Prepared by: Martínez C., Daniela

There is an immediate elimination of tariffs on goods in the industrial and agricultural sectors. It was mentioned before that the service sector contributes the most to the US GDP, but it should be emphasized that there are no baskets for this sector because there are no fees for services.

Furthermore, according to the table, there is special treatment for sensitive and less competitive items, such as:

- Vegetables - most come without tariffs immediately upon the entry into force of the FTA, but the rest will be removed in a period of five years (Columbian Embassy - Washington, DC, 2012).
- Rice - has a quota of 79,000 tons with a total relief period of 19 years, as well as a 6-year grace period (the fee will remain at its initial level) (Columbian Embassy - Washington, DC, 2012).
- Chicken - has a quota of 27,000 tons and an annual growth of 4% share. The total exemption is scheduled for 18 years, with a 5-year grace period for fresh chicken leg quarters and a 10-year grace period for seasoned (Columbian Embassy - Washington, DC, 2012).
- Dairy - has preferential quotas with an annual growth of 10%(Columbian Embassy - Washington, DC, 2012).
- Powdered milk - has a quota of 5,500 tons. The total relief period is 19 years (Columbian Embassy - Washington, DC, 2012).
- Cheese - has a quota of 2,310 tons and a total relief period of 159 years (Columbian Embassy - Washington, DC, 2012).
- Butter, has a quota of 550 tons and a total relief period is 11 years (Columbian Embassy - Washington, DC, 2012).
- Ice cream - has a quota of 330 tons and a relief period of 11 years (Columbian Embassy - Washington, DC, 2012).
- Yogurt - has a quota of 110 tons and a relief period of 15 years (Columbian Embassy - Washington, DC, 2012).

- Processed dairy - has a quota of 1,100 tons and a relief period of 15 years (Columbian Embassy - Washington, DC, 2012).
- Corn - quotas of 2 million tons of yellow corn and 130,000 tons of white corn, with an annual growth of 5%. Total Relief is achieved in 12 years (Columbian Embassy - Washington, DC, 2012).
- Meats (standard quality) - has a quota of 2,100 tons, with an annual growth of 5%, and total elimination is achieved in 10 years (Columbian Embassy - Washington, DC, 2012).
- Pork - most of these will be removed in five years, and the others in 10 years (Columbian Embassy - Washington, DC, 2012).
- Vehicles - car bodies and motorcycles (500 and 800 cc), fully eliminated in five years; gasoline and diesel vehicles (1,500 and 3,000 cc), jeeps (1500-3000 cc), wreckers, cleaning trucks, motorcycles and mopeds (50-500 cc), fully eliminated in ten years (Columbian Embassy - Washington, DC, 2012).

In annex 9 you can see the staging categories for Colombia - United States, with examples; and in annex 10 you can see more information on US agricultural exports to Colombia.

The Colombian Embassy, Washington DC (2012), noted that 81.8% of exportable US industrial supply, and more than half of its exportable agricultural supply, immediately enter without tariffs to Colombia.

The previous tables clearly show: products or goods that are not sensitive (competitive) for traders each country's advantages and immediate deductions upon the entry into force of the FTA. The tables also note the goods traded under certain duty free subheadings, depending on their sensitivity, as well as import quotas, as a measure to protect domestic production.

2.7 Strengths, Weaknesses, Opportunities and Threats (SWOT) with respect to sectors in the US and Colombia

Table 15. SWOT Matrix of Colombia in relation to the United States.

STRENGTHS	WEAKNESSES
Tropical Agricultural Sector	Industrial Sector
Garments and Textiles Sector	Agricultural Sector
OPPORTUNITIES	**THREATS**

Source: Thesis: Analysis of the FTA between the US and Colombia and its effects on Ecuador
Prepared by: Martínez C., Daniela

Table 16. SWOT Matrix of the United States in relation to Colombia.

STRENGTHS	WEAKNESSES
Industrial Sector	Tropical Agricultural Sector
Investment Sector	Agricultural Sector
OPPORTUNITIES	**THREATS**

Source: Thesis: Analysis of the FTA between the US and Colombia and its effects on Ecuador
Prepared by: Martínez C., Daniela

The author has done a SWOT matrix, in each country, identifying areas with opportunities and threats in the overseas market, as well as the strengths and weaknesses that each nation has internally. On the one hand, Colombia is strong in the tropical agricultural sector due to the richness of its soil, whereas the US finds it impossible to produce some products typical of tropical agriculture, specifically certain fruits. On the other hand, the United States has a great advantage or strength in the industrial sector, leading to a large Colombian demand for industrial goods especially capital, since in this industry Colombia is not developed to the level of the US. Colombia has found a large market for the entry of textile and clothing products in the US; for the US it is the investment industry; while both Colombian and American producers face threats in agriculture because both countries produce and mutually export the same products. However, in some specific cases the author of this thesis clarifies that Colombian products and Americans cannot be compared.

Finally, the US and Colombia also have shared sensibility in the following products: mineral fuels and oils, plastics, various manufactured foods, organic chemicals, and manufactured iron or steel products.

2.8 Commercial relations of Colombia and the United States with other countries

Table 17. Major importing countries of Colombia, in thousands of US dollars.

		YEARS						
Place	**Country**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
1st	US	10,609,167	14,288,833	13,123,466	17,143,277	21,948,535	22,216,238	18,692,895
2nd	China	784,758	442,953	949,726	1,966,624	1,989,061	3,343,081	5,102,171
3rd	Panama	246,322	318,980	309,589	936,345	1,956,816	2,916,011	3,219,265
4th	India	76,889	15,685	449,134	364,999	731,878	1,362,710	2,993,066
5th	Spain	581,337	623,204	483,024	565,130	1,720,161	2,939,792	2,879,035

Source: (TRADE MAP, 2014)
Prepared by: Martínez C., Daniela

The table shows in order the five major importers of Colombia. The author highlights the US has been and is the main destination country for Colombian exports. It is further noted that purchases from Colombia by the US decreased in 2013 by a significant amount, which differentiates it from other countries like China, Panama, India, and Spain; who despite not having an FTA signed with Colombia have increased imports in that particular country.

Table 18. Exports from Colombia to the world and to the United States in thousands of US dollars.

	To the World (2012)	To the US (2012)	Percentage of Colombian exports to the United States
Colombia	60,273,618,235	22,216,238,453	36.90%

Source: (TRADE MAP, 2014)
Prepared by: Martínez C., Daniela

According to the table, of total Colombian exports, 36.90 percent is directed to the US market, confirming what was stated above.

Table 19. Major importing countries of the United States, in thousands of US dollars.

		YEARS						
Place	**Country**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
1	Canada	248,408,654	260,890,167	204,720,827	248,186,864	280,710,218	291,674,880	300,175,625
2	Mexico	136,520,317	151,524,799	128,997,663	163,320,690	197,543,627	216,330,837	226,152,896
3	China	65,237,883	71,456,412	69,575,613	91,878,160	103,878,414	110,590,058	122,016,245
4	Japan	62,663,665	66,573,422	51,178,320	60,542,675	66,160,369	70,042,648	65,142,508
20	Colombia	8,559,637	11,438,774	9,457,772	12,043,951	14,314,595	16,394,565	18,606,321

Source: (TRADE MAP, 2014)
Prepared by: Martínez C., Daniela

According to the table, the 4 main countries exporting to the US (Canada, Mexico, China, and Japan), over the years, have been increasing their exports. Although Colombia has increased their exports to the US they are the in 20th place.

Table 20. US exports to the world and to Colombia in thousands of US dollars.

	To the world (2012)	To Colombia (2012)	Percentage of total US exports to Colombia
United States	1.545.565.200.023	16.394.565.231	1,10%

Source: (TRADE MAP, 2014)
Prepared by: Martínez C., Daniela

Of the total US exports to the world, only 1.10 percent is exported to Colombia, implying that Colombia is not a significant trading partner for the US.

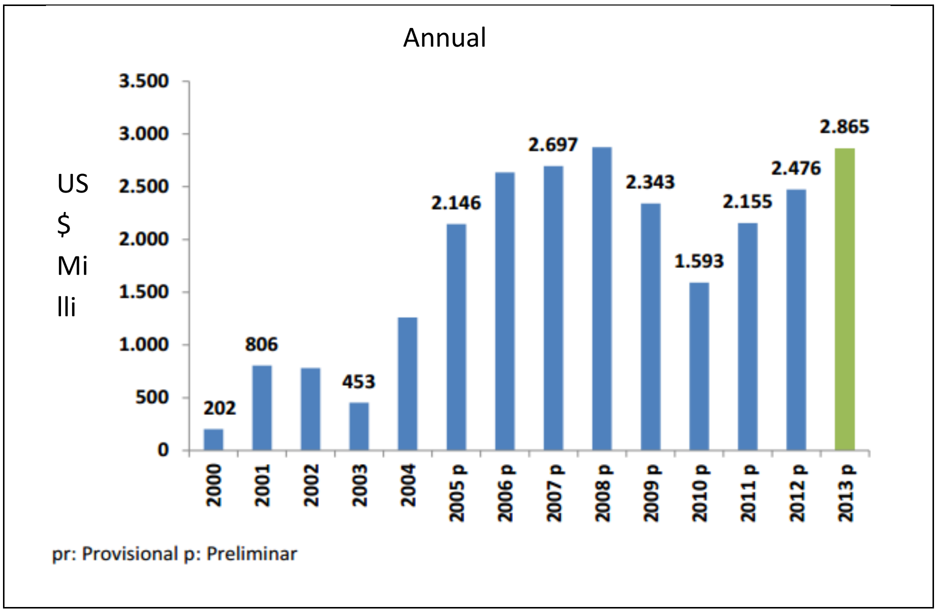
Although the FTA has increased both Colombian and US exports, it is important to note that imports have also increased significantly, particularly in Colombia. So far, Colombia has a positive trade balance, but in the medium and long term this could change. The US will always be the net winner in this business relationship.

There is some evidence that compliments this prediction: between June 2012 and February 2013, comparing the previous years, trade between these two countries represented 28.5 billion US dollars, which resulted in an increase of five percent; US exports to Colombia increased by 20 percent, specifically in oil and oil products, aircraft parts, electrical machinery, iron and steel, cereals, soy products and pharmaceuticals; and agricultural exports increased by 68 percent. Colombian exports to the US accounted for 57 percent of total exports, including 33 percent of agricultural exports (Colombian Embassy - Washington, DC). The data shows that the US is the main destination of the Colombian trade market.

2.9 Foreign Direct Investment (FDI) of the United States in Colombia and vice versa

Foreign direct investment refers to all investments made by foreign countries in a national territory. With data from the Bank of the Republic - Balance of Payments (including currency flows, reinvested earnings and capital contributions of different currencies) Colombia in the first half of 2014 received FDI of $8.452 billion, of which $1.575 billion (18.64 percent) belong to the US FDI (PROEXPORT COLOMBIA, 2014).

Graph 8. US Foreign Direct Investment in Colombia, 2000- 2013, in millions of US $.



Source: BANK OF THE REPUBLIC OF COLOMBIA
Prepared by: Martínez C. Daniela

As shown in the graph, US FDI in Colombia since 2007 has maintained an irregular trend until 2013. However, we can see that since 2011 the value of FDI has grown even up to 2013.

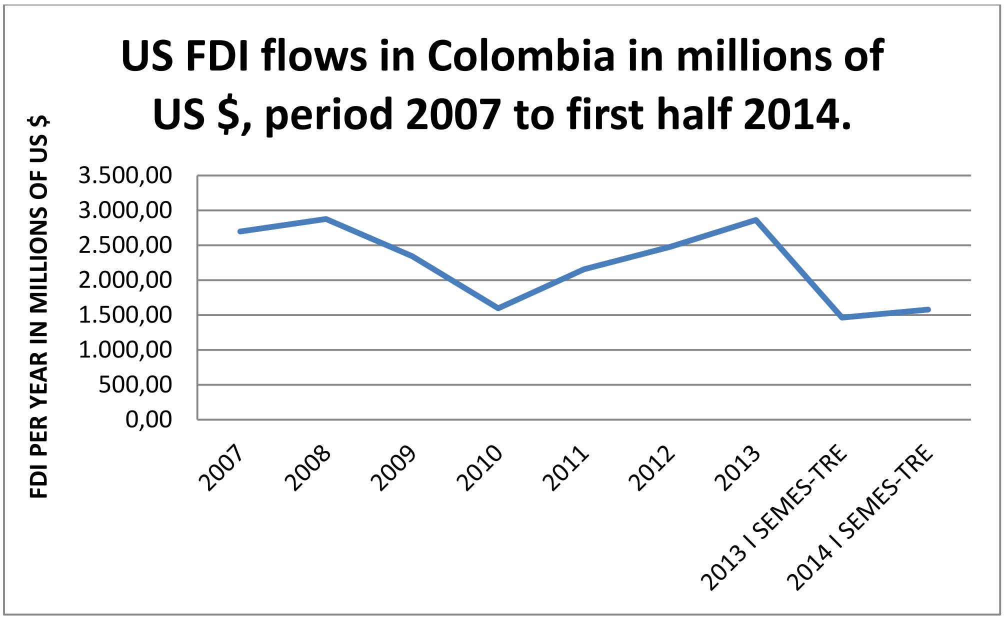
Table 21. US FDI flows in Colombia, in the first half of 2013 and the first half of 2014, in millions of US $.

2013 I SEMESTER	2014 I SEMESTER	VARIATION (%) 2013 I SEMESTER - 2014 I SEMESTER
1,459.96	1,575.22	**7.9**

Source: (PROEXPORT COLOMBIA, 2014)
Prepared by: Martínez C. Daniela

When analyzing the table and comparing the growth of FDI in the first half of 2014 to FDI in the first half of 2013 there is an increase in US investment in Colombia, there is a percentage of growth of 7.9 percent in six months. According to the author, US FDI has begun to grow since 2011, and not necessarily from the entry into force of the FTA in 2012. Below you can see the trend of US FDI in Colombia.

Graph 9. US FDI flows in Colombia in millions of US $, period 2007 to first half 2014.



Source: (PROEXPORT COLOMBIA, 2014)
Prepared by: Martínez C. Daniela

FDI in Colombia has increased significantly in recent years and the US is one of the leading investors, along with Spain and Switzerland. Among these three countries, they accounted for 44 percent of the investment in the first half of 2014. Speaking of sectors, it is noteworthy that 50.4 percent of total investments were made in the oil sector and mining and 49.6 remainder in other sectors; resulting in sectors with high growth in investments, like: construction, transport, storage and telecommunications. Another important fact is that the US has been regarded as the main investor in Latin America and the Caribbean between January and June 2014 because of the number of projects and the amount of investment made (PROEXPORT COLOMBIA, 2014).

It is important also to consider the generation of employment in Colombia in recent years. Below are rates of employment and unemployment in this country; these rates are indicators showing the percentages of people employed and unemployed (National Administrative Department of Statistics DANE, 2014).

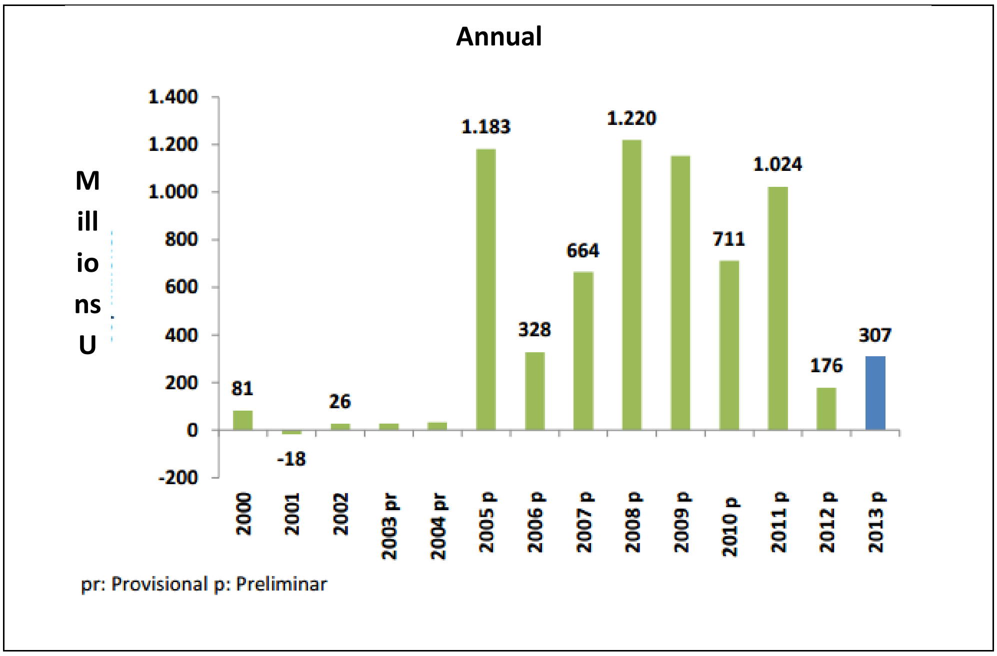
Table 22.Employment and unemployment rates in Colombia.

Year	Employment Rate (%)	Unemployment Rate (%)
2007	52.43	9.89
2008	52.22	10.61
2009	55.50	11.31
2010	55.93	11.12
2011	58.52	9.82
2012	58.41	9.55
2013	59.06	8.44
2014 - October	61.27	7.86

Source: (National Administrative Department of Statistics DANE, 2014).
Prepared by: Martínez C. Daniela

According to the table, it can be seen that the employment rate in Colombia has generally increased since 2011; while the unemployment rate has been declining since 2011. Which from the point of view of the author implies that Colombian workers are benefiting in this area, as they have generated more jobs and unemployment has fallen; according to data as of October 2014, considering the annual increase in direct FDI in Colombia, one could say that there is a direct relationship between increased FDI and increased employment in Colombia.

Graph 10. Foreign Direct Investment of Colombia in US 2000 - 2013, in millions of US $.



Source: BANK OF THE REPUBLIC OF COLOMBIA
Prepared by: Martínez C. Daniela

As shown in the graph Colombian FDI in the US in terms of millions of dollars from the United States, has been uneven both pre and post FTA. From the entry into force of the FTA in 2012, we observed a significant drop in investment, in 2011, $1.024 billion was invested and in 2012 it lowered significantly to an investment of $176 million, and in 2013 again investment increased to $307 million. The author emphasizes that this increase in US FDI in Colombia is minimal in relation to FDI in previous years.

2.10 Effects of the FTA between Colombia and the United States, in different Colombian sectors

There is no analysis so far that clearly indicates the sectors that have benefited or suffered from the entry into force of the FTA. However, the treaty between Colombia and the US has presented some effects on different products in Colombian sectors. In the first months of validity of the treaty, May 2012 and February 2013, 775 new companies in the non-mining sector exported to the US a total of 187 new products with added value, of the which were mainly manufactures, agro products and garments, such as are: cherimoya, soursop juice, ceramic bricks, fish liver oils, cobia (a type of fish), purple passion fruit, plastic syringes, crude glycerol, point rollers, wrapping machines and household sewing machines. On the other hand, non-mining energy exports grew by 8.1 percent; agricultural by 18.1 percent, and industrial 6.2 percent (Minister of Colombia Sergio Diaz Granados, 2013)

Below is a table showing the sectors and products that have higher growth in exports from May 2012 - February 2013.

Table 23. Sectors and products that have registered the highest growth in exports from Colombia to the US from May 2012 to February 2013.

Sector / Product	% of growth
Fish fillets	25.4
Sugars and syrups	53.5
Confectionery	39.3
Processed seafood	31.2
Oils and fats	26.8
Cocoa derivatives	53.9
Glass	27.6
Parts. spare parts and automotive parts	17.3
Pharmaceutical products	61.5
Electric appliances	167
Aluminum	59
Mineral oils	243
Textiles	20.2

Source: MINI-COMMERCE INDUSTRY AND TOURISM
Prepared by: Martínez C. Daniela

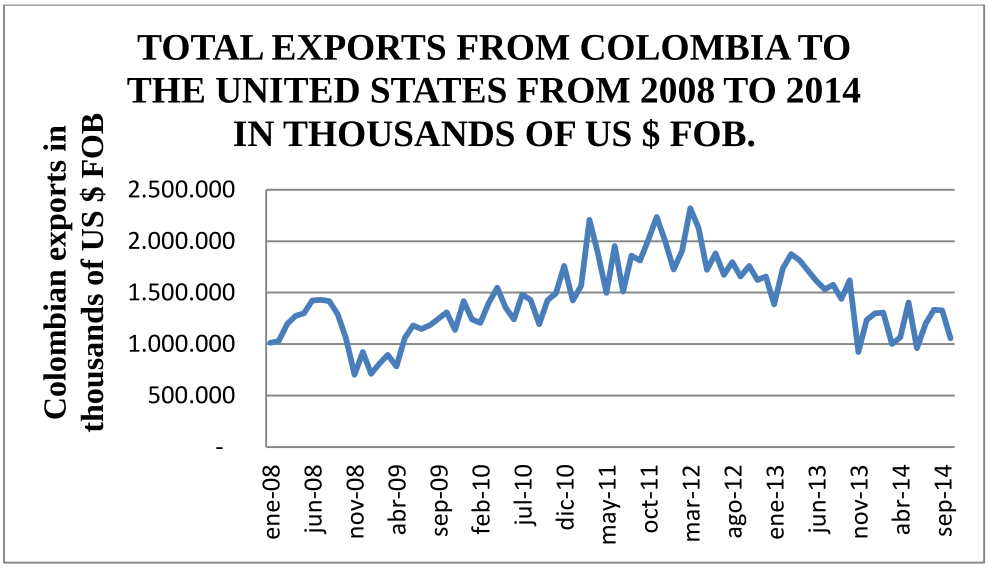
As can be seen in the table, there have been increases in exports of some processed products and Colombian raw materials to the US in the first nine months of the entry into force of the FTA in 2012. However, in the opinion of the author exports of value added products should be increased and exports of raw materials should be decreased because it could be very damaging to Colombia's exports if raw material exports continue to increase.

Regarding the tourism sector, American tourists to Colombia has increased in 2012 and 2013; this was also due to an air agreement with the US since there are a greater number of flights covered from and to the United States (Minister of Colombia Sergio Diaz Granados, 2013).

On the other hand, US exports to the Colombian market have grown, this has enabled American goods and services to regain part of the market lost due to the delay in ratifying the FTA (Minister of Colombia Sergio Diaz Granados, 2013).

From the point of view of the negative effects, in the opinion of the author, and according to information provided throughout this work, the data has indicated that the increase in US exports to Colombia has generated an influx of foreign products in the Colombian market and therefore domestic product has had to decrease its price to compete, generating losses at the level of profits of small producers, especially agricultural.

Graph 11. Colombia's total exports to the US period 2008 - 2014, in thousands of US $.



Source: DIAN - DANE. Cálculos DANE
Prepared by: Martínez C. Daniela

As shown in the graph in general, the FTA export figures in thousands of US $ FOB, from Colombia to the US have diminished since the entry into force of the FTA in May 2012, relative to exports in previous years, concatenating with the information provided at the beginning of this chapter.

Conclusions

The Free Trade Agreement between the US and Colombia required a considerable period of negotiations until the signing and ratification by the parties; it was a long process that began in 2003 and ended in 2012, with its entry into force on May 15 of that same year.

As for the negotiation rounds, subjects were addressed within 21 roundtable discussions. The later discussions covered the most sensitive issues such as: agriculture, sanitary and phyto-sanitary measures, intellectual property, access of used US goods to Colombia, among others.

Colombia's trade balance against the US, before the FTA, was increasing, and always generated a positive trade balance for Colombia. However, since the FTA went into effect, exports to the US in 2013 showed a decline, and it is determined those exports to the US are declining significantly, while imports are increasing. Moreover, taking into account trade between these two countries according to sales volumes, total net exports in million kilos, from Colombia to the US, have decreased since the entry into force of the FTA in 2012, while the imports equally in million net kilos, from the US, have increased since 2012. Colombian imports are mainly secondary goods or industrialized goods, such as cereals (rice, soy products, and sorghum, among others), meat, different seeds and fruits; while Colombian exports are mainly based on primary consumer goods such as: coffee, tea, spices, edible fruits, various prepared foods, sugar, fish, shellfish, pearls, gemstones, etc.

The services sector has been boosted by technological, communication, and Internet advances that have increased their competitiveness. However it is worth mentioning that although this has presented opportunities for Colombians services in several US states, services have never had tariffs.

In the area of tariff elimination, as agreed upon in the FTA negotiations, they were applied according to the sensitivity and competitiveness of products in each country. For example, a competitive good or product in each country was assigned to basket A, which implies an immediate relief upon the entry into force of the FTA; while sensitive products for each nation were assigned the following baskets: B, C, D, etc., which shall be removed in certain periods of time in order to protect domestic production.

In terms of foreign direct investment (FDI), the United States in recent years, specifically from 2011, has increased its investment in the Colombian country; likewise since 2011, unemployment rates have declined and employment rates have increased, implying a direct relationship of increased FDI and increased employment in Colombia, a year before the entry into force of the FTA. While, speaking of Colombian FDI in the US in 2012 has decreased significantly and was recovered in 2013 but not at high levels as in previous years.

On the issue concerning the effects of the FTA, since its effect, it can be seen that while some sectors and Colombian products have increased their exports to the US there remains a high percentage of exports of raw materials and Colombia still significantly depends upon the United States, which is its main trading partner. However, with the FTA, new companies and new Colombian products have entered the US, mainly manufacturing, agro-industrial products and garments. On the other hand, increased imports from the US, especially in agricultural products, are affecting farmers and small producers, and it should be emphasized that some of these imported products are also produced domestically, such as some cereals like rice, soy products, sorghum; as well as meats, seeds and various fruits.

CHAPTER 3: THE IMPACT OF THE FREE TRADE AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA IN ECUADOR

This chapter will deal with similar products from Ecuador and Colombia, and their exports to the United States; and on trade between Ecuador and Colombia, Ecuadorian exports to Colombia, and Colombian exports to the United States.

3.1 Similar products between Ecuador and Colombia and their exports to the United States

Ecuador and Colombia are neighboring countries that have maintained good business relations over time. On the one hand, each of these countries have their national products that are similar and others that are unique to each country. Ecuador's main traditional exports are oil, bananas, shrimp, cocoa, processed tuna fish, and coffee; and their major non-traditional products are flowers, abaca, wood, mining products, fruits, tobacco, and artesian crafts (PRO ECUADOR, 2014). Colombia has a similar export supply: flowers, fish, tuna, tobacco, bananas, shrimp, coffee, tea, oil, fruits, etc. (PROEXPORT COLOMBIA, 2014). In this context, it is important to analyze trade between Ecuador and the US since Ecuador has the same export supply as Colombian.

The table below shows the trade balance between Ecuador and the US:

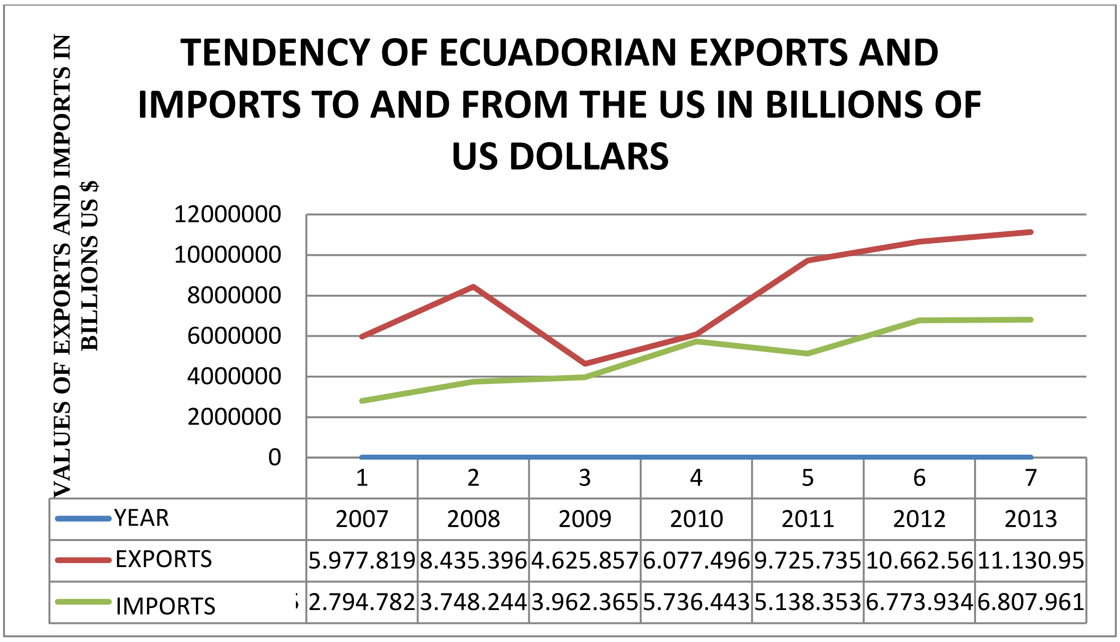
Table 24. Trade Balance between Ecuador and the United States in billions of US dollars.

YEAR	EXPORTS	IMPORTS	BALANCE	PERCENTAGE VARIATION
2007	5,977,819	2,794,782	3,183,037	
2008	8,435,396	3,748,244	4,687,152	47%
2009	4,625,857	3,962,365	663,492	-86%
2010	6,077,496	5,736,443	341,053	-49%
2011	9,725,735	5,138,353	4,587,382	1,245%
2012	10,662,567	6,773,934	3,888,633	-15%
2013	11,130,951	6,807,961	4,322,990	11%

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

As can be seen in the table, Ecuadorian exports and imports to and from the US have grown gradually from 2007 to 2013; the trade balance has remained positive for Ecuador. However, it is important to note that, in analyzing the percentage of change in these trade balances, you can see that in 2009 and 2010 it decreased significantly; in 2011 it went up; in 2012 it went back down, while in 2013 it recovered; which in the opinion of the author, shows that there is no stability in the business relationship between Ecuador and the US.

Graph 12. Tendency of Ecuadorian exports and imports to and from the US in billions of US dollars.



Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

According to the above, Ecuadorian imports and exports have had a growing trend in Ecuador's trade relationship with the United States, in billions of US dollars, but this growing trend overall has not been stable.

Table 25.Total of Ecuadorian exports to the United States, period 2007 - 2013, in thousands of tons.

							VARIATION	
2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2011-2012**	**2012-2013**
1,516	1,425	1,697	1,514	1,519	1,320	1,419	-13%	8%

Source: CENTRAL BANK OF ECUADOR
Prepared by: Martínez C. Daniela

As shown in the table, in terms of volume (tons), total Ecuadorian exports to the US from 2007-2011 have remained generally regular. However, we see that from 2012, the total amount exported decreased by 13 percent compared to 2011, and in 2013 it grew by 8 percent, indicating in the opinion of the author that in 2013 Ecuador recovered in the US market.

Table 26. Ecuadorian exports to the world and to the United States in thousands of US dollars.

	To the world (2013)	To the United States (2013)	Percentage of Ecuadorian exports to the US
Ecuador	24.957.644	11.130.951	44.59%

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

In the table, it can be seen that of the total Ecuadorian exports, 44.59 percent of its exports are destined for the US; there is a clear dependence on trade with the US. However, it should also be mentioned that current Ecuadorian policies are slowly eliminating this dependency, looking for other markets where Ecuadorian products are competitive, and thus promoting the economy of its citizens.

Table 27. Major importing countries of Ecuador, in thousands of US dollars.

		YEARS						
Place	**Country**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
1st	US	5,977,819	8,435,396	4,625,857	6,077,496	9,725,735	10,662,567	11,130,951
2nd	Chile	658,139	1,509,367	899,982	846,629	1,105,504	1,993,835	2,464,236
3rd	Peru	1,491,917	1,731,042	939,436	1,335,590	1,764,574	1,991,585	1,882,868
4th	Colombia	650,627	803,779	678,338	793,062	1,023,209	1,059,110	921,668
5th	Russia	405,537	548,960	619,738	596,657	699,889	706,777	817,411

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

In the table we see once again that the US is the main importer of Ecuador, followed by Chile, Peru, Colombia and Russia. Ecuadorian exports to all these countries have generally been increasing. However, in the specific case of Colombia, it is noted that in 2013 they have decreased their imports from Ecuador. According to the author, it is important to note that Colombia has exported some products through Ecuador to the US, which may subsequently have an aggregated value.

Table 28. Ecuador exports to the world and to Colombia in thousands of US dollars.

	To the world (2013)	To Colombia (2013)	Percentage of Ecuadorian exports to Colombia
Ecuador	24,957,644	921,668	3.69%

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

We can see that of the total Ecuadorian exports, 3.69 percent of these are directed toward Colombia; although this amount may seem small it is a vital part of the economy. Also, these numbers play an important role in determining the effects of the FTA between the US and Colombia on Ecuador.

The following table shows: the main products exported from Ecuador to the US; similar Ecuadorian and Colombian products exported to the US; and the main products exported by Ecuador to Colombia.

Table 29. Main products exported from Ecuador to the United States, in thousands of US dollars.

Products	2007	2008	2009	2010	2011	2012	2013
Mineral fuels, mineral oils and products of their distillation	4,693,009	6,801,945	2,984,472	4,402,995	7,681,161	8,365,812	8,529,306
Fish and crustaceans, mollusks, and other aquatic invertebrates	359,054	415,512	431,203	495,608	645,365	719,546	782,317
Edible fruits; citrus fruit or melons	313,438	356,066	509,821	497,497	485,363	426,196	479,451
Natural or cultured pearls, precious stones, semiprecious and similar	45,796	60,137	16,700	7,738	31,440	280,746	350,424
Live plants and floricultural products	220,045	399,109	227,815	261,383	276,608	308,063	339,978
Cocoa and cocoa preparations	56,732	107,508	171,727	88,107	230,831	129,780	168,247
Preparations of meat, fish, or crustaceans, mollusks,	56,180	50,192	41,966	43,528	93,607	124,017	128,052
Preparations of vegetables, fruit, nuts, or other parts of plants	40,684	48,785	60,641	61,892	63,490	73,368	70,202
Wood, charcoal, and wood products	54,278	55,454	46,973	63,000	52,850	60,122	56,581
Vegetables, plants, roots, and tubers	31,050	40,017	35,697	34,748	36,503	41,077	49,129
Machinery, boilers, and mechanical appliances	7,767	11,809	19,601	11,478	11,641	16,302	17,322
Machinery and electrical equipment, parts thereof	7,318	7,540	6,535	4,769	12,832	11,577	15,688
Aircraft, spacecraft	822	1,434	1,513	19,501	1,032	416	14,005
Plastics and articles thereof	2,624	3,834	3,448	4,969	8,794	12,156	11,841
Coffee, tea, and spices	11,913	7,377	10,162	15,066	23,792	10,116	10,078
Aluminum and articles of aluminum	6,701	1,815	888	533	2,040	4,085	9,926
Oil seeds and oleaginous fruits; seeds and various fruits	778	426	505	1,194	1,672	2,743	5,631
Optical Instruments, photographic and cinematographic	1,360	808	1,855	2,344	1,530	2,603	4,798
Articles of apparel and clothing accessories, knitted or crocheted	3,697	9,374	6,191	6,116	6,275	4,819	4,590
Tools, utensils, cutlery items, forks	1,602	1,784	2,672	3,906	3,389	4,935	4,254
Ceramic products	12,841	10,265	8,826	7,626	7,125	5,499	4,081

Source:(TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

In the table we can see that Ecuador primarily exports raw materials and preparations commodity to the US, like Colombia.

Table 30. Main products exported from Ecuador to the United States from 2011-2013, in thousands of US $ FOB and in tons.

SUBHEADING	DESCRIPTION	UNITS	Jan - Dec			Variation	
			2011	2012	2013	2011-2012	2012-2013
0306.13.91.00*	Misc Frozen Shrimp	Thousands of US $	463,627	507,268	512,343	9.41%	1.00%
		Tons	68,414	77,723	59,287	13.61%	-23.72%
		Reference price	6.8	6.5	8.6	-3.69%	32.41%
0803.00.12.00*	Fresh bananas - Cavendish Valery Type	Thousands of US $	386,915	317,485	367,601	-17.94%	15.79%
		Tons	894,162	720,092	809,959	-19.47%	12.48%
		Reference price	0.4	0.4	0.5	1.89%	2.94%
7108.12.00.00	Misc forms of raw gold not used for money	Thousands of US $	31,227	278,833	301,447	792.91%	8.11%
		Tons	0.7	7	281	874.86%	4020.13%
		Reference price	44,610.7	40,860.6	1,072.2	-8.41%	-97.38%
0603.11.00.00	Fresh cut roses	Thousands of US $	186,473	185,278	214,329	-0.64%	15.68%
		Tons	34,112	32,196	40,364	-5.62%	25.37%
		Reference price	5.5	5.8	5.3	5.27%	-7.73%
1801.00.19.00	Raw cocoa bean, misc except for growing	Thousands of US $	223,629	123,351	152,403	-44.84%	23.55%
		Tons	77,513	53,280	62,892	-31.26%	18.04%
		Reference price	2.9	2.3	2.4	-19.75%	4.67%
1604.14.10.00	canned tuna	Thousands of US $	78,390	91,414	106,489	16.61%	16.49%
		Tons	16,174	16,018	16,025	-0.97%	0.04%
		Reference price	4.8	5.7	6.6	17.75%	16.44%
0603.19.90.90	Misc flowers and fresh buds, cut, unconvered	Thousands of US $	55,597	50,523	63,851	-9.13%	26.38%
		Tons	8,495	8,125	11,155	-4.35%	37.29%
		Reference price	6.5	6.2	5.7	-4.99%	-7.95%
Other Products		Thousands of US $	600,808	666,340	854,024	10.91%	28.17%
		Tons	419,945	412,278	418,812	-1.83%	1.58%
		Reference price	1.4	1.6	2.0	12.97%	26.17%
TOTAL		Thousands of US $	2,026,668	2,220,491	2,572,487	9.56%	15.85%
		Tons	1,518,816	1,319,719	1,418,775	-13.11%	7.51%
		Reference price	1.3	1.7	1.8	26.09%	7.76%

Source: CENTRAL BANK OF ECUADOR
Prepared by: Martínez C. Daniela

According to the table, Ecuador's main products have been exported to the US (shrimp, bananas, gold, pink, cocoa, tuna) overall in 2012 have decreased quantity exported relative to 2011. However, in 2013 an increase is again seen in the quantities exported, and the author concatenating information prior to this chapter, Ecuador in 2013 emphasizes that it had recovered lost market share in 2012, except for shrimp exports increased in 2012 and 2013 dropped them, and gold in 2012 and 2013 shows significant growth.

Table 31. Exports of the same products from Ecuador and Colombia, to the United States, in thousands of US dollars.

		YEAR						
	PRODUCT	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Ecuadorian exports to the US	Flowers and buds, cut for bouquets or for ornamental purposes, fresh, dried	219,126	399,036	227,298	260,334	275,325	306,545	338,831
	Coffee, whether roasted or decaffeinated; coffee husks and skins	10,396	5,347	9,093	13,299	21,640	8,008	7,517
	Tobacco	1,054	310	354	72	206	784	319
	Bananas, including plantains, fresh or dried	274,102	319,343	465,444	461,496	445,223	375,856	419,342
	Crude oils obtained from bituminous minerals	4,542,354	6,600,504	2,899,623	4,306,273	7,525,587	8,069,600	8,406,401
Columbian exports to the US	Flowers and buds, cut for bouquets or for ornamental purposes, fresh, dried	915,026	855,451	838,928	949,231	963,934	966,707	1,014,786
	Coffee, whether roasted or decaffeinated; coffee husks and skins	614,153	716,563	677,021	760,847	1,116,980	818,777	842,969
	Tobacco	549	463	422	950	766	380	1,689
	Bananas, including plantains, fresh or dried	151,448	178,147	262,372	232,745	199,472	236,047	204,195
	Crude oils obtained from bituminous minerals	4,493,007	7,320,828	6,351,964	9,899,132	13,406,304	13,859,136	11,778,170

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

As shown in the table, there are some products that are exported from both Ecuador and from Colombia to the US. Ecuadorian flowers have been increasing slowly; however, the amount of exports of Colombian flowers is much larger and has been increasing in larger quantities. In the case of Ecuadorian coffee, exports have trended upward since 2007 but have dropped significantly in 2012 and 2013; while Colombian coffee has been increasing its exports, falling in 2012 but recovering in 2013. Tobacco from Ecuador, in 2013, decreases; while tobacco from Colombia increased its exports in 2013 by a lot. In the case of Ecuadorian bananas, the table shows that in 2012 exports reduced and later recovered in 2013; compared to the Colombian banana which increased in 2012, but decreased in 2013. Finally, Ecuadorian exports of crude oils, petroleum or bituminous minerals, showed growth in recent years; while Colombian exports of this product show a decrease in 2013, but over the past years as a whole there is a significant upward trend.

By analyzing these five cases of both Colombian and Ecuadorian products, the FTA between the US and Colombia is not majorly affecting trade in Ecuador.

Table 32. Exports of these products from Ecuador and Colombia, to the United States, period 2011 - 2013, in thousands of tons.

		YEARS		
	PRODUCT	**2011**	**2012**	**2013**
Ecuador exports to the United States	Flowers and buds, cut for bouquets or for ornamental purposes, fresh, dried	48,233	52,169	61,700
	Coffee, whether roasted or decaffeinated; coffee husks and skins	4,341	2,314	3,174
	Tobacco - unmanufactured; tobacco waste	24	759	332
	Bananas, including plantains, fresh or dried	1.039,763	860,546	923,586
	Crude oils obtained from bituminous minerals	10.915,154	11.479,899	12.316,734
Colombian exports to the United States	Flowers and buds, cut for bouquets or for ornamental purposes, fresh, dried	157,359	149,395	156,552
	Coffee, whether roasted or decaffeinated; coffee husks and skins	187,793	167,923	241,827
	Tobacco - unmanufactured; tobacco waste	137	65	1,389
	Bananas, including plantains, fresh or dried	476,682	530,38	443,43
	Crude oils obtained from bituminous minerals	19.773,179	19.250,281	17.264,942

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

When analyzing Table 32, and concatenating the analysis of Table 31, we see that exports volumes of the same products, both Ecuadorian and Colombian to the US, have an irregular trend; hence, no one can say that in general Ecuadorian exports have fallen or Colombian products have increased or vice versa, because there are increases in some products and decreases in others in the years after the FTA. Thus, in the opinion of the author, there is no trade-off in terms of increased exports from Colombia and lowered exports of Ecuadorian products.

One effect however that could become an issue, due to the fact that Ecuador has no FTA with the US, is that Colombia would gain ground in US; whereas Ecuadorian products may lose due to current tariffs in place on products exported by Ecuador to the US. It should be emphasized though that this is not a current issue, only speculation. In this respect, it is important to note that of the Ecuadorian products that previously benefited from the ATPDEA, some of these receive tariff benefits under the Generalized System of Preferences (GSP), a program established in January 1976 which was created and designed with the aim of promoting economic growth in the developing world through the free entry of preferential tariffs for certain products.

The products that are beneficiaries of the GSP are: manufactured goods, chemicals, minerals and building stone, jewelry, carpets, and certain agricultural and fishery products; and products that are not beneficiaries of the GSP are: most textile and clothing products, watches, most footwear, bags, and luggage (Office of the US Trade Representative, 2014).

Within this framework, it is important to mention the World Trade Organization (WTO), which plays a key role in world trade and regulation. This organization is standards-based and driven by its member countries (160 countries); all decisions are made by its members and the rules are the result of negotiations between them. Its aim is to ensure that a fair, free, and fluid trade is conducted between nations (World Trade Organization, 2014). The WTO has provisions that give developing countries certain benefits and rights, and gives developed countries the opportunity to provide more favorable deals to developing countries. Some of the benefits granted by the WTO are: the National Treatment, Most Favored Nation (MFN), and GSP with its Enabling Clause (World Trade Organization, 2014).

The National Treatment refers to equal treatment for both domestic and imported or foreign goods, especially when the latter have already entered the domestic market.

Services, brands or trade, copyrights and patents, both foreign and domestic, receive the same treatment (World Trade Organization, 2014).

The MFN means that every time a country lowers a trade barrier or opens up a market, they must apply the same for the same goods or services from all trading members without discrimination (World Trade Organization, 2014).

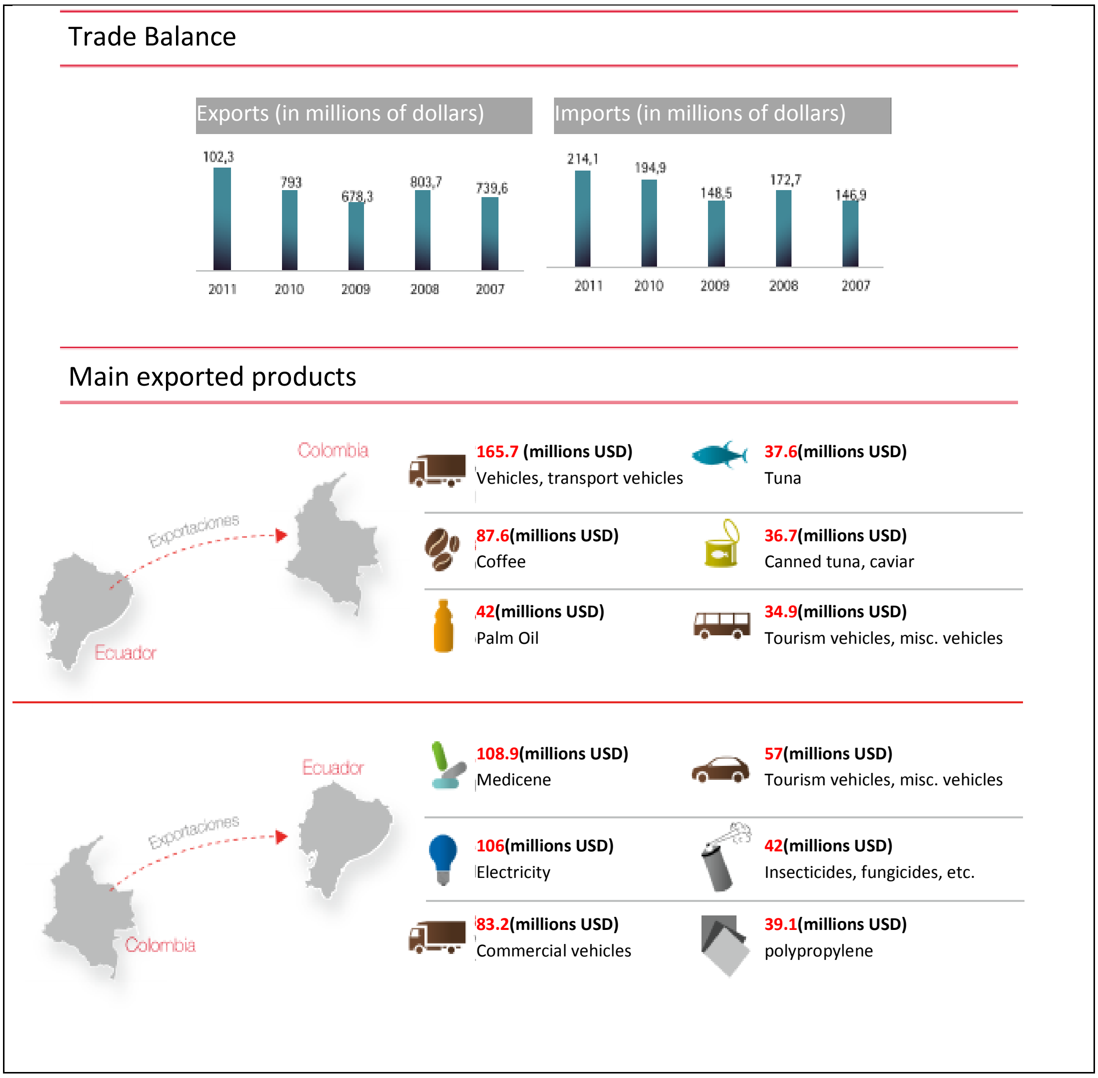
The Enabling Clause, officially known as “"Decision on Differential and More Favorable Treatment, Reciprocity, and Fuller Participation of Developing Countries” allows developed countries to provide differential and more favorable treatment to developing countries. This clause is the legal basis for the GSP, where developed countries grant non-reciprocal preferential treatment to products originating in developing countries. It should be mentioned that the preference-giving countries are those countries that unilaterally determine which products are included in their programs (World Trade Organization, 2014).

Clearly the WTO greatly benefits developing countries, providing several advantages. In this case the GSP is a great support to boost international trade in Ecuador.

3.2 Commercial triangulation Ecuador - Colombia, Colombia – United States

Trade relations between Ecuador and Colombia have a complementary relationship that benefits from being within a free trade area between Colombia, Ecuador, Peru, Bolivia, and others. As for the main exports and imports between these two countries, exports from Ecuador are: assembled vehicles, unroasted coffee, palm oil, sardines and canned tuna, fish meal, ethyl alcohol, sports shoes, range stoves, polypropylene bags; exports from Colombia include: electricity, human medicines, freight vehicles, fungicides, elastomeric fabrics, polypropylene, cable sets for transportation, hygiene products, iron and non-alloy steel, and paper. The following chart shows the above.

Graph 13. Trade Balance of Ecuador and Colombia, and main export products from Ecuador and Colombia.



Source: *RevistaEkos*
Prepared by: Adriana Gutiérrez

In the first part of the chart, it shows that Ecuadorian exports to Colombia have been greater than imports from Colombia, from 2007 to 2010; while exports to Colombia in 2011 were lower than imports from Colombia, which produces a deficit in its trade balance. Furthermore, in general terms, it appears that, through the years, Ecuador exports to Colombia have decreased, while the amount that Ecuador imported from this country has gradually increased.

In the second part of the graph, the main products exported by Ecuador are: vehicles, vehicles for the transport of goods, coffee, palm oil, tuna, canned fish, caviar, motor cars and other vehicles; Colombia's main exports are also observed, these are: medicines, electricity, cars, cars for freight, passenger cars and other vehicles, insecticides, rodenticides, fungicides, and polypropylene. Trade between the two countries has developed in industries such as automotive, marine products, medicines, textiles, and energy products (Guayaquil Chamber of Commerce).

Table 33. Total of Ecuadorian exports to Colombia, period 2007 - 2013, in thousands of tons.

							VARIATION	
2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2011-2012**	**2012-2013**
658	547	545	467	608	647	666	6%	3%

Source: CENTRAL BANK OF ECUADOR
Prepared by: Martínez C. Daniela

According to the table in terms of tons, Ecuador through the years, from 2007-2010 has decreased volumes of exports to Colombia, while since 2011, it is evident that the quantity exported has increased; however, from 2011 to 2012 the quantity exported increased by 6 percent, while in 2013 relative to 2012, it increased by 3 percent. The author mentioned previously, in terms of export values, in recent years there has been a decrease in Ecuadorian exports to Colombia, but it is important to note that in terms of tons, in recent years the amount exported has grown.

Colombia is a major importer of Ecuadorian manufactured goods, due to its geographical proximity. Nevertheless, there are some disadvantages that Ecuador has due to trade agreements and treaties that Colombia has with other countries. Ecuador also runs the risk of triangulation, i.e. Colombia could use raw materials imported from Ecuador to manufacture goods destined for exportation, thereby increasing their competitiveness in the global market.

With regard to the above mentioned, the rules of origin under the FTA between the US and Colombia states, in the fourth chapter, that goods shall be considered “originating” when fully obtained or produced entirely in the country. In case of non-originating materials used in the production of goods, these should be given a change in tariff classification for the resulting good; however, if this change is not given, the goods can still be considered as “originating,” that is if the value of non-originating materials used in the production of a good do not exceed 10 percent of the total value of the resulting good; this is known as *De Minimis*. The goods or materials originating in the territory of one or the other treaty country, and they are incorporated into a good in the territory of another country, are considered as originating in the territory of that country (Information System on Foreign Trade, 2014).

The absence of such requirements mentioned above, for a commodity or product considered native to Colombia, unfairly gives Colombia higher trade benefits, especially against Ecuador.

Table 34. Main products exported from Ecuador to Colombia, in thousands of US dollars.

PRODUCTS	2007	2008	2009	2010	2011	2012	2013
Preparations of meat, of fish or of crustaceans, mollusks	49,147	75,073	65,088	65,469	83,484	85,439	111,583
Animal fats or vegetable oils; edible fats; waxes	12,022	25,445	57,493	52,442	69,064	112,719	94,737
Motor vehicles, tractors, cycles, other land vehicles and parts	155,300	230,581	168,338	216,461	249,172	227,994	90,783
Plastics and articles thereof	21,282	28,426	23,750	31,644	40,289	50,618	52,096
Wood, charcoal, and wood products	11,490	18,741	18,739	24,134	30,088	39,205	41,481
Articles of cast iron or steel	26,869	34,938	22,450	28,100	33,190	36,485	34,289
Fish and crustaceans, mollusks and other aquatic invertebrates	11,559	13,485	13,136	14,685	14,721	21,218	34,185
Rubber and articles thereof	14,943	15,801	12,633	14,716	21,756	24,306	29,365
Paper, cardboard; articles of paper pulp, paper / cardboard	19,776	25,709	11,873	22,652	27,158	24,836	28,122
Cotton	3,605	2,710	4,059	8,410	9,947	24,199	26,974
Footwear	26,394	25,294	27,638	28,624	32,838	21,372	25,873
Machines, boilers, machinery and mechanical appliances	14,474	40,228	20,490	19,132	16,361	17,331	25,546
Other textile articles; assorted sets	21,842	25,513	19,189	27,923	39,694	30,993	24,171
Waste, waste from food industries; animal feed	7,269	10,289	16,715	19,247	23,468	19,786	23,734
Beverages, spirits and vinegar	13,580	16,510	19,016	22,479	23,561	31,323	22,621
Cereals	59,205	6,621	10,275	1,331	18,771	11,591	21,879
Machinery and electrical equipment, parts thereof	33,418	32,866	12,381	17,373	19,199	14,730	20,284
Aluminum and articles of aluminum	12,660	10,627	6,611	8,446	14,152	17,285	18,721
Coffee, tea, and spices	5,446	10,809	34,040	34,256	83,648	61,715	16,787
Man-made filaments	5,532	4,560	3,383	5,666	5,120	10,303	14,834
Cocoa and cocoa preparations	5,813	16,026	14,541	26,418	26,623	15,469	14,694
Soap, organic surface-active agents, washing preparations, etc.	5,803	8,011	7,307	7,148	8,397	8,821	12,226
Salt; sulfur; stone; plastering materials, lime and cement	655	998	204	643	2,085	5,059	11,833
Vegetables, roots, and tubers	13,550	9,025	6,117	6,310	14,358	14,165	10,957

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

In the table, we see that Ecuador exports to Colombia commodities, but also large amounts of industrial products. As for commodities, there are some that are also produced in Colombia and could be used for the production of other products, exported from Colombia to the US meeting the requirements to be considered as originating in Colombia.

Table 35. Main products exported from Ecuador to Colombia, from 2011-2013, in thousands of US $ FOB and in tons.

SUBHEADING	DESCRIPTION	UNITS	Jan - Dec			Variation	
			2011	2012	2013	2011-2012	2012-2013
8704.21.10.90	Misc Diesel Vehicles, of a total weight with a maximum load of less than or equal to 4,537 tons, un covered in another part.	Thousands of US $	160,387	105,105	1,150	-34.47%	-98.91%
		Tons	12,750	8,442	101	-33.79%	-98.81%
		Reference price	12.6	12.5	11.4	-1.02%	-8.39%
0901.11.90.00	Misc untoasted coffee, non-decaffinated	Thousands of US $	83,510	61,720	16,367	-26.09%	-73.48%
		Tons	29,078	24,575	7,608	-15.49%	-69.04%
		Reference price	2.9	2.5	2.2	-12.55%	-14.34%
1511.10.00.00	Raw palm oil	Thousands of US $	17,944	49,497	45,448	175.84%	-8.18%
		Tons	17,165	48,401	53,586	181.98%	10.71%
		Reference price	1.0	1.0	0.8	-2.17%	-17.06%
1511.90.00.00	Other Palm oils and its derivitives	Thousands of US $	38,232	49,186	39,419	28.65%	-19.86%
		Tons	29,969	41,355	38,082	37.99%	-7.92%
		Reference price	1.3	1.2	1.0	-6.77%	-12.97%
1604.14.10.00	Canned tuna	Thousands of US $	34,187	42,973	63,332	25.70%	47.38%
		Tons	9,278	10,423	14,083	12.34%	35.11%
		Reference price	3.7	4.1	4.5	11.89%	9.08%
8703.23.90.90	Other Piston engine vehicles, spark started, with an engine size above 1,500 CM3	Thousands of US $	21,658	41,866	47,771	93.30%	14.10%
		Tons	2,062	3,896	4,268	88.96%	9.55%
		Reference price	10.5	10.7	11.2	2.30%	4.16%
8703.22.90.90	Other vehicles with an engine size between 1,000 CM3, uncovered in other parts	Thousands of US $	15,311	39,538	10,729	158.23%	-72.86%
		Tons	1,422	4,589	996	222.67%	-78.30%
		Reference price	10.8	8.6	10.8	-19.97%	25.04%
Other Products		Thousands of US $	650,791	661,263	687,552	1.61%	3.98%
		Tons	505,885	505,116	547,485	-0.15%	8.39%
		Reference price	1.3	1.3	1.3	1.76%	-4.07%
TOTAL		Thousands of US $	1,022,020	1,051,147	911,768	2.85%	-13.26%
		Tons	607,609	646,797	666,209	6.45%	3.00%
		Reference price	1.7	1.6	1.4	-3.38%	-15.79%

Source: CENTRAL BANK OF ECUADOR
Prepared by: Martínez C. Daniela

This table, concatenating the above, clearly shows that exports to Colombia from Ecuador consist of large amounts of primary goods and industrial goods. In terms of export volumes, these exports in recent years have declined; however, there is an upward trend in terms of quantity exported from Ecuadorian goods to the neighboring country.

Table 36. Ecuadorian exports of products that could be used to produce other products, or otherwise processed to a higher degree by Colombia and finally exported to the United States, in thousands of US dollars.

		YEARS						
	PRODUCT	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Ecuador exports to Colombia	Vegetables (including wild) Dried, leguminous vegetables	8,676	4,724	3,738	4,349	10,543	11,456	8,258
	Cereals (rice, maize)	10,683	6,732	5,747	6,359	12,554	13,468	10,271
	Tunas, whole or in pieces	0	0	0	53	0	0	3,185
Colombian exports to the US	Other vegetables prepared or preserved (except in vinegar)	244	277	1073	991	1209	1255	934
	Malt extract; food preparations of flour, meal	3,075	2,833	3,220	3,154	3,601	3,925	4,497
	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs: Fish, whole or in pieces (but not minced): Tunas	0	0	4,974	15,052	15,544	25,765	16,025

Source: (TRADE MAP, 2014)
Prepared by: Martínez C. Daniela

According to the table, we can see that Ecuador exported to Colombia raw materials, or products minimally processed, that Colombia could use in the manufacture of other products to be exported to the US. For example, dried and shelled leguminous vegetables, cereal, tuna are exported to Colombia; and Colombia exports to the US prepared vegetables and preserved food preparations of flour, meal, fish, caviar and tuna.

In the author’s opinion, this issue is very delicate, since it is observed that there may be a triangulation favoring Colombia (in terms of tariff preferences) to export to the US products made or processed from raw materials that are from Ecuador; at this point it is clear that Ecuador would be affected.

Conclusions

Ecuador and Colombia are two countries that have a good business relationship. The conflict is that, due to the FTA signed between Colombia and the US, Ecuador's exports could be affected. When analyzing the FTA commercially, although it has only been in effect for less than three years, it is important to note that Ecuadorian exports to the United States, both in thousands of US $ FOB and in tons, in 2012 have decreased, however in 2013 they have grown again, which indicates that these exports have recovered in the US market, and somehow, have not been affected significantly until today.

As for the analysis of Ecuadorian exports to Colombia, in thousands of US $ FOB, we observed that over the years there have been declining values, whereas the values of imports from Colombia are increasing. However, analyzing the exported tons, we can come to the conclusion that in general Ecuador's main products exported to the neighboring country have increased their numbers in recent years. Furthermore, Ecuador and Colombia have a complementary trade relationship, characterized by the exchange of different products, but on the other hand they also have similar products and Ecuadorian raw materials could be used to make other products that could be sold to the US as having originated in Colombia; resulting in a possible trade triangulation. This would negatively affect Ecuador commercially.

We must take into account that some Ecuadorian products which were exported to the US, and that did not receive tariff preferences under the ATPDEA, still have benefits under the GSP, and those who do not benefit from this system, continue to be exported despite having to pay fees to enter the market in the US.

Finally, Ecuador continues to send almost half of its exports to the US, thus United States still ranks as the top trading partner of Ecuador, but not the only one.

GENERAL CONCLUSIONS

After commercially analyzing the effects in terms of exports and imports between Colombia and the United States, as well as trade relations between Ecuador - Colombia – USA, and the effects of the FTA between the US and Colombia in Ecuador, one can conclude the following:

1. There were various reasons for the US and Colombia to sign a Free Trade Agreement. Colombia saw the treaty as a strategy to access free trade tariffs and non-tariff barriers, which provide greater benefits than those provided by the ATPDEA; this would improve the relationship with its largest trading partner, the US. Moreover, the US saw the signing of this treaty as a means to support Colombia in drug eradication, to implement rules that regulate and eliminate the abuse of workers' rights and other abuses that were taking place in this country, to not lose market share it has in Colombia, and also maintain its hegemonic presence in the region.

2. The time it took to comply with the requirements the US put forth, for the emergence of Colombia to be a major trading partner, was significant. The negotiations were conducted through rounds, as there were many issues and very sensitive products to consider; such as agriculture, plant and animal health, intellectual property access for US goods used to Colombia, etc. Therefore, tariff eliminations were implemented according to the sensitivity of the exported products, protecting the most sensitive, with the assignment of longer periods for tariff reduction to baskets B, C, D, etc.; and strong products in each country were assigned to basket A, which eliminated tariffs from the moment the FTA entered into force.

3. Each country seeks to improve its economy, internal development, and its presence abroad. However, it is very important to address the economic reality of these two countries; namely, the level of economic development between these two countries, and second, the production capacity and the gap in competitiveness in the overseas market. The author concludes that this FTA cannot be considered a fair and beneficial trade agreement, since what is being achieved is detrimental to Colombian national production in the long term.

4. Regarding Colombia's trade balance vs that of the US, the values that Colombia exported and imported from that country, before the FTA, were increasing, and always generated a positive trade balance for Colombia. However, since the FTA went into effect, exports to the US in 2013 showed a decline, and the change percentage in this balance, by year, determines that exports to the US are declining significantly. It is noteworthy that imports from Colombia mainly are of secondary goods or industrialized goods plus US agriculture and others, which are also produced in Colombia, such as cereals (rice, soy products, sorghum, among others), meat, different seeds and fruits; while Colombian exports are mainly based on primary consumer goods such as coffee, tea, spices, edible fruits, various food preparations, sugar, fish, shellfish, pearls, gemstones, etc.

5. In the area of FDI, USA over the years has always maintained its tendency to further increase its investment in Colombia (in 2010: 1,593, 2011: 2155, 2012: 2476 and 2013: 2865, millions of US $), which is not attributed to the FTA, because it is a trend that began many years ago, and comes hand in hand with increased employment generation in Colombia and declining unemployment rates. The author concludes that it is positive that new companies and new products have entered for the first time in the US market as a result of the enactment of the FTA in 2012; but on the other hand, the fact that the US has increased its exports to Colombia and the US continues to remain Colombia's primary exporting country may result in a negative impact on Colombia's economy.

6. On trade between Ecuador and the US, the case is similar to Colombia, not based on the FTA, as Ecuador did not sign an FTA with the US, but on the fact that the US is Ecuador's main trading partner, receiving nearly half of its exports. Ecuador continues to achieve better international trade relations with other countries; however, the author believes that in order to achieve this goal, Ecuador should not consider the US as a country that tops the list of nations with whom they would want to sign an FTA.

7. Ecuador's trade position has not been affected significantly, even though Colombia and Ecuador have similar products, Ecuadorian exports have not declined as a result of the FTA – Ecuador exported to the US, 9,725,735,000 in 2011; 10,662,567,000 in 2012; and 11,130,951,000 in 2013. From the field of exports in tons, the quantities exported by Ecuador to the US in 2012 had decreased; however, in 2013 there was an almost complete recovery. On the other hand, Ecuadorian exports to Colombia, in terms of millions of US $, decreased, which indicates that it is not directly affecting Ecuador.

However, it is noteworthy that it has been two and a half years since the FTA came into effect, and over the next few years there could be a new outlook. It should also be mentioned that Ecuador renouncing its membership in the ATPDEA does not mean that all products that enjoyed benefits provided by this system now enter the US with tariffs, as some of these products have tariff preferences under the GSP, and those without these preferences are equally exported.

8. Finally, Ecuador and Colombia have a complementary trade history, characterized by the exchange of different products; but on the other hand, they also have similar products that are exported to the US. Also, some of these are exported to Colombia from Ecuador, and there is the possibility that they are used in the manufacture of other products or goods that would be considered as "originating in Colombia," provided that the tariff classification of said goods are different from the raw material to produce them. Otherwise, the new manufactured good, using imported materials

from Ecuador, would be considered "originating," according to the rules of origin included in Chapter Four of the trade agreement between Colombia and the US.

This could generate a situation of triangulation, where goods produced in Colombia, with inputs from other countries (in small amounts), are accepted as "Colombian," benefiting from the tariff preferences outlined in the FTA between the US and Colombia; resulting in Ecuador being at a disadvantage in the global trade market.

RECOMMENDATIONS

1. The author recommends that no free trade agreements be signed between disparate economies; because such agreements between totally different economies always result in a net loss for the developing country.

2. The author recommends that, for future trade agreements, each country must analyze carefully what is negotiated and take into account the serious consequences which may be incurred. An alternative is to conduct negotiations on a portion of the tariffs, thus constituting partial trade agreements without having to sign an FTA. Also, when conducting any negotiation, the parties should pay special attention to domestic capacity and allowances that may be granted by each country.

3. The author recommends that, when negotiating, no hasty decisions be made under the pressure of time or by political burden, as the parties must be certain of what is at stake; these being not only the products of a country, but the economic stability of a nation.

4. The author finally recommends that is important to always be open to international trade and not close the door to negotiations with other countries. However, in this respect, the author indicates that Ecuador should not sign a similar FTA with the US because it would have the same effect as in Colombia. Ecuador should first analyze all the advantages and disadvantages which may be incurred, and not see the United States as the first country to head the list of nations with which to sign trade agreements. Ecuador should focus on alternative markets that meet specific demands on characteristics, relationships, and access.

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Annexes

Annex 1.Opinion of Colombian Senator Luis Carlos Avellaneda, with regard to free trade

Avellaneda (2011) says:

> *Trade liberalization, according to conventional economic theory, is economically justified to the extent that countries have different endowments according to their geographical location, climatic and ecological conditions, provision of capital, technological development, qualification of labor among others, for which some countries are more efficient than others in producing certain types of goods.*

Annex 2. List of Colombian products entering the United States with some form of non-tariff barriers (Sistema de Información sobre Comercio Exterior SICE, 2003)

f) Milk
g) Cheese
h) Dairy products in general
i) Fruits
j) Vegetables and nuts
k) Live animals
l) Food
m) Drugs and cosmetics
n) Wood and Furniture
o) Leather and textile

Annex 3. List of Colombian products entering the United States governed by import quotas (Information System on Foreign Trade - SICE, 2003)

- Milk and cream
- Peanut
- Anchovies
- Tuna
- Sugar
- Products containing more than 10% and 65% of raw sugar weight
- Cocoa
- Chocolate
- Preparations and legs
- Olive oil
- Pasta and peanut butter
- Tangerines
- Seasoning mix
- Ice cream
- Food for animals
- Tobacco
- Some textiles and garments
- Brooms
- Brushes

Annex 4. Table of non-tariff barriers imposed by the United States on Colombian exports

BNA que impone Estados Unidos a las Exportaciones Colombianas

CIIU	Sector	Barreras			Equivalente (4)	% de las M cubiertas (5)
		Tecnológicas (1)	Precios (2)	Cuotas y otras (3)		
100	**SECTOR AGROP., SILVIC., CAZA, PEZCA**					
111	Producción agropecuaria	X		X	50,0	23,0
121	Silvicultura	X		X		
130	Pesca	X				
200	**MINERIA**					4,0
31	**PROD ALIMENT., BEBIDAS Y TABACO**					
311	Fabricación de productos alimenticios	X	x	X		
312	Fabricación de otros productos alimenticios	X				
313	Bebidas	X		X		94,0
314	Tabaco					11,0
32	**TEXTILES, PRENDAS DE VESTIR**					
321	Textiles	X			5,0	41,0
322	Prendas de vestir	X		X	47,0	0
323	Cuero y sus derivados	X		X		0
324	Calzado					
33	**INDUSTRIA MADERERA**					9,0
331	Madera y sus productos				13,0	
332	Muebles de madera	X				
34	**FABRICACION DE PAPEL Y SUS PROD**					0
35	**FABR. SUSTANCIAS QUIMICAS**				1,0	
351	Químicos industriales	X				2,0
352	Otros químicos	X		X		2,0
353	Refinería de petróleo					
354	Derivados del petróleo					
355	Caucho					
356	Plásticos					5,0
36	**MINERALES NO METALICOS**					3,0
361	Barro, loza, etc	X				
362	Vidrio y sus productos					
369	Otros minerales no metálicos					
37	**METALICAS BASICAS**					
371	Industrias de hierro y acero				4,0	79,0
372	Industrias de metales no ferrosos				4,0	1,0
38	**MAQUINARIA Y EQUIPO**					
381	Fabr. pctos. metálicos exc. maquinaria y equipo	X				
382	Constr. Maq. Exc. Eléctrica	X				8,0
383	Maquinaria eléctrica	X	x			10,0
384	Equipo y material de transporte	X	x		32,0	68,0
385	Equipo profesional y cientifico	X				
39	**OTRAS INDUSTRIAS**					
390	Otras industrias manufactureras	X				24,0

Source: (Information System on Foreign Trade - SICE, 2003)
Prepared by: Dynamic Data Exchange (DDE) based upon World Integrated Trade Solution (WITS)

Annex 5. Opinion of Colombian Senator Luis Carlos Avellaneda, regarding the US FTA with Colombia

Avellaneda (2011) stated:

> *In the gameplay of comparative advantage, it is clear in principle that the open borders to free trade is a process of the reorganization of the production system, so that they can build and strengthen some sectors and companies, while other sectors are destroyed and companies. The final result of this game depends on the competitiveness of different sectors, their ability to change market conditions, and remain in it.*

Annex 6. Colombian Business Opportunities in United States

AGROINDUSTRIA

Flores

Nueva York
Pennsylvania
Ohio
West Virginia
Indiana
Kentucky
Tenesse
Carolina del Norte
Carolina del Sur
Georgia
Florida
Alabama
Mississipi
Illionois
Missouri
Arkansas
Louisiana
Kansas
Oklahoma
Texas

Azúcar

California
Texas

Alimentos étnicos (Nostálgicos: productos típicos colombianos)

Florida
Texas
Nueva York
Georgia
Carolina del Norte
Carolina del Sur

Insumos para canales instiucionales

Nueva York
Carolina del Norte
Carolina del Sur
Georgia
Florida
Arizona
New Mexico
Texas
Louisiana
Plátano
Nueva York
Texas
Florida
Georgia
Carolina del Norte
Carolina del Sur

MANUFACTURAS

Artículos para el hogar
California
Texas
Georgia
Florida
Illinois
Carolina del Norte
Carolina del Sur
Nueva York

Cosméticos naturales y aseo personal
Texas
Florida
Nueva York
Aparatos eléctricos
Carolina del Norte
Carolina del Sur
Georgia
Florida
Texas

Materiales de construcción
California
Texas
Florida
Georgia
Carolina del Norte
Carolina del Sur
Nueva York
Illinois

PRENDAS DE VESTIR (ABASTECIMIENTO)

Jeanswear
Washington
Nevada
California
Arizona
Colorado
Texas
Alabama
Georgia
Florida
Tenesse
Carolina del Norte
Carolina del Sur
Pensilvania
Nueva York
Missouri
Illinois
Indiana
Connecticut

Active Wear
Washington
Oregon
Nevada
California
Utah
Texas
Arizona
Alabama
Florida
Georgia
Carolina del norte

Sportswear
Oregon
Nevada
California
Arizona
Utah
Colorado
Texas
Alabama
Georgia
Florida
Tenesse
Pensilvania
Nueva York
Vermont

Underwear
Washington
Texas
Nueva York
Florida
Connecticut

Shapewear
California
Alabama
Florida
Georgia
Tenesse
Carolina del norte
Nueva york
California
Florida
Nueva York

Cuero
Nevada
California
Illinois
Florida
Nueva York
Connecticut

Accesorios cuero
Nevada
California
Texas
Missouri
Illinois
Nueva York
Florida

(MARCAS Y DISEÑADORES)

Underwear
Washington
Nevada
California
Texas
Missouri
Illinois
Indiana
Florida
Nueva York
Connecticut
Nueva Jersey

Casualwear
Nevada
California
Texas
Missouri
Virginia
Nueva York

Activewear
California
Florida
Georgia
Nueva York
Massachusetts

Formalwear
Nevada
Texas
Florida
Carolina del sur
Nueva York

Accesorios cuero
California
Nevada
Texas
Florida
Illinois
Nueva York
Connecticut

Autopartes ensambladoras
Illinois
Kentucky
Alabama
Georgia

Autopartes post venta
Texas
Illinois
Michigan
Virginia
Georgia
Florida
Carolina del sur
Virginia
Pensilvania
Nueva york

Uniformes
Nevada
Colorado
Texas
Missouri
Illinois
Indiana
Florida
Ohio
Nueva York
Carolina del Norte
Carolina del Sur

Beachwear
Carolina
Nevada
Nueva york
Florida

Casualwear
Texas
Florida
Georgia
Pennsylvania
Nueva York
Connecticut
Massachusetts

Calcetería
Nevada
Georgia
Carolina del sur
Carolina del norte
Virginia
Pennsylvania
Nueva York
Connecticut
Vermont

Swimwear
Nevada
California
Texas
Illinois
Florida
Carolina del norte
Carolina del sur

Calzado
Nevada
Florida
Georgia

Joyería
Nevada
California
Texas
Florida
Georgia
Illinois
Carolina del norte
Nueva Jersey
Nueva York

Source: (PROEXPORT COLOMBIA, 2011)

Annex 7. Colombian services with business opportunities in the US

Perspectivas de nuevos negocios para Colombia por cuenta de los servicios profesionales

La creación de un grupo de trabajo para servicios profesionales dentro del TLC ofrece un marco permanente para que los cuerpos profesionales de los dos países realicen trabajos en materia de reconocimiento mutuo y desarrollo de estándares para licenciamiento.

Aunque el TLC ha identificado los sectores de ingeniería y arquitectura como prioridades, otros como servicios de salud y de consultoría podrán utilizar este marco en el futuro para impulsar acuerdos en dichas materias.

CASOS DE ÉXITO

» **Jorge Aramburo,**
Gerente General de PSL (Medellín)

"Estados Unidos es un mercado gigante para nuestro campo que es el desarrollo de *software*. El TLC nos plantea varios retos, por ejemplo, en el tema del bilingüismo. Lo positivo es que va a dar más confianza, traerá potenciales compradores, generará más viajes de negocios y flujos de inversión. Todo va a redundar positivamente en el mercado de servicios".

SERVICIOS CON MAYORES POSIBILIDADES DE CRECER CON EL TLC

Proexport tiene identificadas oportunidades de exportación para diversos sectores de servicios con fortalezas para ingresar a ese mercado. Entre ellos están:

Salud

Hoy, Colombia es reconocida internacionalmente en la prestación de servicios de salud, gracias a que cuenta con hospitales de calidad, con acreditaciones internacionales y con la capacidad de garantizar la seguridad del paciente.

La oferta en esta materia incluye reproducción, oncología, oftalmología, cirugía plástica y reconstructiva, estudios y procedimientos con células madre.

Los consumidores de servicios de salud en Estados Unidos son, en su mayoría, ciudadanos colombianos residentes en ese país o extranjeros con alguna afinidad familiar o de otro tipo con Colombia.

Los estados más propicios para la exportación de servicios de salud son California, Texas y Florida.

Las regiones colombianas con mayor potencial son Atlántico, Bolívar, Bogotá, Caldas, Magdalena, Risaralda, Santander, Valle del Cauca, Antioquia.

Tercerización de servicios y tecnologías de la información

Las medianas y pequeñas empresas de Estados Unidos son potenciales compradoras de estos servicios, puesto que comienzan a explorar esta alternativa y buscan reducción de costos.

Software

En este sector hay oportunidades en todo Estados Unidos, especialmente en California. Las regiones colombianas con más potencial son Antioquia, Bogotá, Bolívar, Caldas, Quindío, Risaralda, Santander, Valle del Cauca y Atlántico.

Animación Digital

Este sector tiene oportunidades en todo Estados Unidos, pero especialmente en California.

Audiovisual

La cercanía que tiene Colombia con Estados Unidos es una ventaja para las empresas que desarrollan contenidos para cine y televisión.

También hay oportunidades para que Colombia se convierta en una plaza interesante para grabar proyectos de productoras y canales internacionales.

Las regiones que tienen más potencial son Bogotá y Valle del Cauca.

BPO

Se fortalece la oferta de servicios empaquetados, en especial para los departamentos de IT y de recursos humanos de las compañías de EE.UU. Es clave ser eficiente en los métodos de negociación y maximizar los resultados. Departamentos con potencial: Atlántico, Bogotá, Caldas y Antioquia.

Comunicación gráfica

Hay oportunidades en la producción de libros, textos escolares y universitarios por su calidad, bajos costos de envío, buen manejo del idioma y disponibilidad de mano de obra. Tienen potencial Antioquia, Caldas, Quindío, Risaralda, Santander, Valle del Cauca, Atlántico, Bogotá y Huila.

Ingeniería y servicios de construcción

Muchas veces no se cuenta con los profesionales capacitados para desarrollar proyectos de reconstrucción y mejoramiento de infraestructura. Esta es una oportunidad para prestar servicios de consultoría. Regiones con oportunidad: Antioquia, Bogotá, Bolívar, Caldas, Risaralda, Santander y Valle del Cauca.

Con información de: Ministerio de Comercio, Industria y Turismo; Proexport; Brigard & Urrutia.

» **Gloria Ruiz,**
Gerente Comercial Asesoftware (Bogotá)

"Somos una empresa de desarrollo de *software* a la medida e iniciamos el proceso de exportaciones este año a Estados Unidos porque la idea es crecer en ese mercado, el principal para nosotros. Ya tenemos varios proyectos y contamos con presencia en *Delaware*, de esta forma no tenemos doble tributación y es más fácil conseguir clientes si saben que estamos allá y acá".

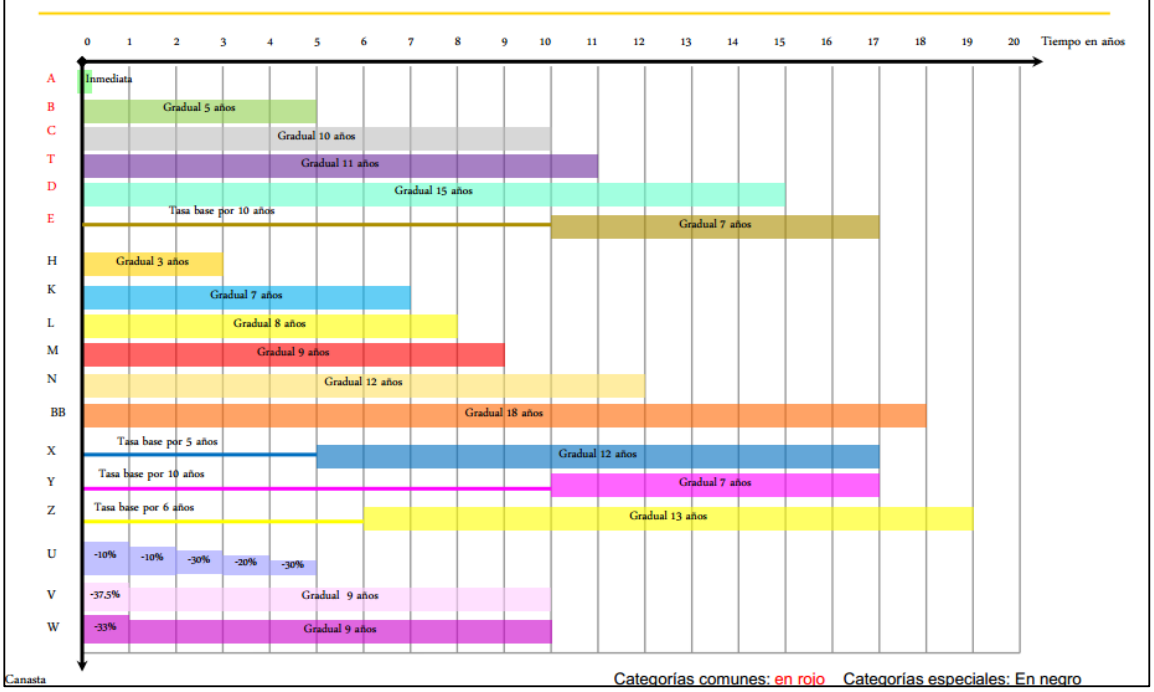
Source: (PROEXPORT COLOMBIA, 2011)

Annex 8. Link to lists of agricultural and nonagricultural products with their basket's reliefs

http://tlc-eeuu.proexport.com.co/abc-del-tlc/productos-negociados-en-el-tlc

Annex 9. Staging categories Colombia - United States

A. Staging categories Colombia - United States



Source: (ERNST & YOUNG, 2012)
Prepared by: Martínez C. Daniela

B. Staging Categories - Colombia

Category	Elimination Period	Examples
A	Immediate Elimination	**Agricultural products:** • Sheep, rabbit, and turkey meat • Fruits like mandarin oranges and grapes **Industrial products:** • Chemicals such as coal and salts • Textile products like shirts
B	Elimination over a 5 year period	**Agricultural products:** • Pork and ham • Caffeinated and de-caffeinated coffee **Industrial products:** • Lubricating oils • Motorcycles (500cm^3 and 800cm^3)
C	Elimination over a 10 year period	**Agricultural products:** • Eggs and sugar • Vodka and whisky **Industrial products:** • Fuel, gasoline, chemicals, shoes • Campers, auto parts

Source: (ERNST & YOUNG, 2012)
Prepared by: Martínez C. Daniela

B. Staging Categories - Colombia

Category	Elimination Period	Examples
D	Elimination over a 15 year period	• Some sugar beets and cane sugar • Processed dairy and cheese (within this category but with contingencies)
E	Base rate will remain the same for 10 years. On year 11, gradual elimination for 7 years	None
F	Duty-Free	• Dictionaries and encyclopedias • Some artificial fibers • Scrap metal (steel and iron)

Source: (ERNST & YOUNG, 2012)
Prepared by: Martínez C. Daniela

B. Staging Categories - Colombia

Category	Elimination Period	Examples
T	Elimination over a 11 year period	None
H	Elimination over a 3 year period	• Products consisting of natural milk constituents
K	Elimination over a 7 year period	• Polyester based paints and varnishes • Polypropylene • Alkyd resins

Source: (ERNST & YOUNG, 2012)
Prepared by: Martínez C. Daniela

B. Staging Categories - Colombia

Category	Elimination Period	Examples
L	Elimination over a 8 year period	• Some prepared or unfrozen, conserved beans
M	Elimination over a 9 year period	• Glucose syrup • Other fructose
N	Elimination over a 12 year period	• Some corns not used for harvesting

Source: (ERNST & YOUNG, 2012)
Prepared by: Martínez C. Daniela

B. Staging Categories - Colombia

Category	Elimination Period	Examples
U	Non-linear elimination up to 5 years Year 1: 10% reduction Year 2: Additional 10% reduction Year 3: Additional 30% reduction Year 4: Additional 20% reduction Year 5: Additional 30% reduction	• Some non-fiber paper and cardboard • Kraft paper • Cellulose wadding and webs of cellulose fibers
V	Non-linear elimination up to 10 years Year 1: 37.5% reduction Years 2 to 10: Gradual reduction	• Rate for bovine meat and offal standard quality beef
W	Non-linear elimination up to 10 years Year 1: 33% reduction Years 2 to 10: Gradual reduction	• Tariff rate for dried beans

Source: (ERNST & YOUNG, 2012)
Prepared by: Martínez C. Daniela

B. Staging Categories - Colombia

Category	Elimination Period	Examples
X	Elimination over a period of 18 years Years 1 to 5: The base rate is maintained Years 6 to 18: Gradual reduction	• Tariff rate for chicken hindquarters
Y	Elimination over a period of 18 years Years 1 to 10: The base rate is maintained Years 11 to 18: Gradual reduction	None
Z	Elimination over a period of 19 years Years 1 to 6: The base rate is maintained Years 7 to 19: Gradual reduction	• Tariff rate for rice

Source: (ERNST & YOUNG, 2012)
Prepared by: Martínez C. Daniela

B. Staging Categories - Colombia

Category	Elimination Period	Examples
BB	Elimination of extra tariff rate over a period of 18 years	• Birds who have finished their reproductive cycle, “Pent Fowl Chickens”

Source: (ERNST & YOUNG, 2012)
Prepared by: Martínez C. Daniela

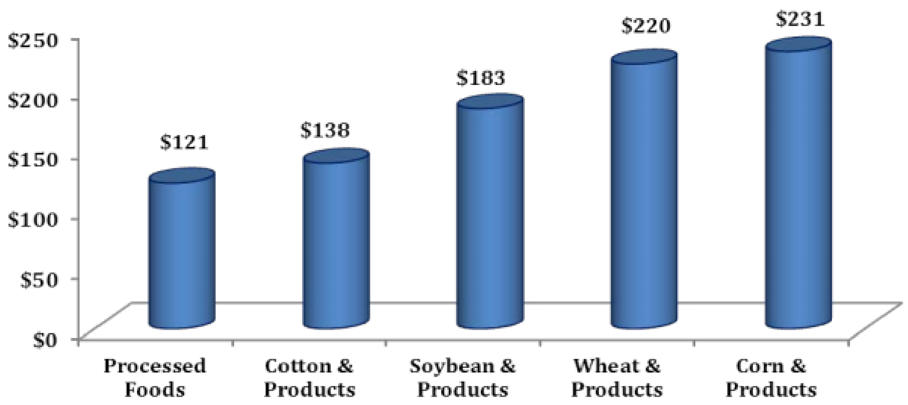
C. Staging Categories – the United States

Category	Elimination Period	Examples
R	Tariff item to be assembled shall be the duty applicable to the value of the article itself for 10 years.	• Articles of the United States or metals specifically exported for additional processing and returned for equal processing.
S	Completely eliminated and remains free from the effective date of the Agreement	• Articles imported for organizations to promote agriculture, the arts, and science. • Articles imported for any institution, society, state, or municipal corporation with the purpose of erecting a public monument. • Articles to be repaired, altered, or processed (including processes that result in articles manufactured or produced in the US).

Source: (ERNST & YOUNG, 2012)
Prepared by: Martínez C. Daniela

Annex 10. US exports to Colombia, and opinions of Americans of whom the FTA has many positive aspects

Graph of the Exports of the United States to Colombia, in millions of dollars (2011)



Source: (Embassy of Colombia, 2012).
Prepared by: Department of Commerce, U.S. Census Bureau, and Foreign Trade Statistics

Below is information on exports of each product from the US to Colombia, duty free immediately upon entry into force of the FTA.

- **Barley:** Colombia is a growing market for US producers of barley; tariffs on barley and its derivatives will be immediately deleted (Embassy of Colombia, 2012).
- **Corn:** yellow corn tariffs, while white maize will be eliminated over the course of 12 years (Embassy of Colombia, 2012).
- **Cotton:** in 2011, the US exported $138 million of cotton to Colombia. Tariffs will be eliminated immediately with respect to all cotton products (Embassy of Colombia, 2012).
- **Soy and Soy products:** for export of these products, Americans face tariffs ranging from 5 to 20 percent for soybeans, soy products and soy flour. The tariffs will be eliminated immediately (Embassy of Colombia, 2012).
- **Wheat:** in 2011, the US exported $220 million of wheat to Colombia. The export of wheat has a system that varies with tariffs ranging from 30 to 40 percent. The tariffs will be eliminated immediately (Embassy of Colombia, 2012).
- **Poultry:** in 2011, exports of poultry such as chicken, turkey, among others and their derivatives, totaled $22 million. Most tariffs will be eliminated immediately, while others will be eliminated over a 10 year period (Embassy of Colombia, 2012).
- **Pork and pork products:** in 2011, producers exported $27.3 million, with an average tariff between 20 and 30 percent. The majority of these tariffs will be eliminated in five years and the remaining in 10 years (Embassy of Colombia, 2012).

Opinions of Americans involved in the issue:

- The President of Wheat Associates, Don Schieber, commented that, "US wheat producers need the FTA to compete in the Colombian market, based on the quality and supply of wheat from other countries" (Embassy of Colombia Washington, DC, 2011).
- The president of the American Soybean Association, Alan Kemper, said that "delays regarding the passage of the FTA have caused the US to lose market share in Colombia" (Embassy of Colombia Washington, DC, 2011).
- The president of the National Association of Cotton Producers, Bart Schott said that "Colombia is an important market for US farmers." In the field of corn, US producers are ready to produce it in sufficient quantities to supply the growing global demand for food, fuel, and fiber (Embassy of Colombia Washington, DC, 2011).
- The president of the National Pork Producers Council, Doug Wolf, expressed his excitement about the FTA, explaining that "it will provide new and significant export opportunities for US pork producers." He also expressed his gratitude to the administration, to finalize the FTA with Colombia, and indicated that "it is urgent that lawmakers approve it before its recess in August" (Embassy of Colombia Washington, DC, 2011).