

COLOMBIA

TRADE SUMMARY

The U.S. goods trade deficit with Colombia was \$8.2 billion in 2012, down \$555 million from 2011. U.S. goods exports in 2012 were \$16.4 billion, up 14.5 percent from the previous year. Corresponding U.S. imports from Colombia were \$24.6 billion, up 6.6 percent. Colombia is currently the 22nd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Colombia was \$6.9 billion in 2011 (latest data available), up from \$6.4 billion in 2010. U.S. FDI in Colombia is primarily concentrated in the mining and manufacturing sectors.

The United States-Colombia Trade Promotion Agreement

The United States-Colombia Trade Promotion Agreement (CTPA) entered into force on May 15, 2012. The CTPA is a comprehensive free trade agreement, which immediately eliminated most tariffs on U.S. exports, with all remaining tariffs to be phased out over defined time periods. Under the CTPA Colombia also is according substantially improved market access for U.S. service suppliers. In addition the CTPA includes important disciplines relating to: customs administration and trade facilitation, technical barriers to trade, government procurement, investment, telecommunications, electronic commerce, intellectual property rights, transparency, and labor and environmental protection.

On April 7, 2011, the U.S. and Colombian Governments announced a Colombian Action Plan Related to Labor Rights in which the Colombian government committed to a series of measures over defined time frames to improve the protection of internationally recognized labor rights, the prevention of violence against labor leaders, and the prosecution of the perpetrators of such violence. The Santos Administration is meeting these milestones under the Action Plan. Nevertheless, there are ongoing concerns regarding labor rights in Colombia, and the U.S. Government continues to work closely with the government of Colombia to ensure full implementation of the Action Plan.

IMPORT POLICIES

Tariffs

About 80 percent of U.S. exports of consumer and industrial products to Colombia became duty free immediately upon entry into force of the CTPA, with the remaining of those tariffs to be phased out within 10 years of the Agreement's entry into force. In March 2012, Colombia joined the WTO Information Technology Agreement, under which Members eliminate tariffs on a most favored nation (MFN) basis for a wide range of information technology products.

Colombia applies variable levies to imports of certain agricultural products pursuant to the Andean Community's price band system. However, when the CTPA entered into force, Colombia immediately ceased to apply these variable levies to agricultural imports from the United States. Under the CTPA, almost 70 percent of U.S. agricultural exports to Colombia (by value) became duty free upon entry into force, including high quality beef, an assortment of poultry products, soybeans and soybean meal, cotton, wheat, whey, and most horticultural and processed food products. The remaining duties on U.S. agricultural exports will be phased out over defined time periods. U.S. agricultural exporters also benefit from zero duty tariff rate quotas (TRQs) on corn, rice, poultry parts, dairy products, sorghum, dried beans,

beef, animal feeds, and soybean oil. The TRQs permit immediate duty-free access for specified quantities of each of these products, with the duty-free amount expanding during its tariff phase-out period.

Nontariff Measures

The Colombian government had required that importers purchase local production of certain agricultural products in order to import under TRQs. Under the CTPA, the Colombian government committed to ensuring that U.S. access to the TRQs of the Agreement will not be conditioned on the purchase of domestic products by the importers.

Under the CTPA, Colombia affirmed that it would not adopt or maintain prohibitions or restrictions on trade in remanufactured goods (provided they have warranties similar to new goods) and that some existing prohibitions on trade in used goods would not apply to remanufactured goods. This provides significant new export and investment opportunities for firms involved in remanufactured products, such as machinery, computers, cellular phones, and other devices. In accordance with Andean Community Decision 337, Colombia does not permit the importation of used clothing.

Colombia assesses a consumption tax on distilled spirits with a system of specific rates per degree (half percentage point) of alcohol strength (Law 788 of 2002, Chapter V, amended by Law 1393 of 2010). Arbitrary breakpoints have the effect of applying a lower tax rate to spirits that tend to be produced locally and therefore create a barrier for imported distilled spirits. Under the CTPA, Colombia committed to eliminating the breakpoints for imports of U.S. distilled spirits by 2016.

GOVERNMENT PROCUREMENT

Under the CTPA, Colombia grants national treatment to U.S. goods, services, and suppliers in procurements covered by the Agreement. The CTPA also gives U.S. firms greater access to procurement by Colombia's ministries and departments, legislature, courts, and first tier sub-central entities, as well as a number of Colombia's government enterprises, including its oil company. In addition, Colombia will not apply Law 816 of 2003 to CTPA-covered procurements, as that law mandates preferential treatment for tenders that provide Colombian goods or services. U.S. companies are still required to have some local representation in order to qualify for government procurement.

Colombia is not a signatory to the WTO Agreement on Government Procurement, but it has been an observer to the WTO Committee on Government Procurement since 1996.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Colombia was listed on the Watch List in the 2012 Special 301 Report. During 2012, Colombia continued to improve its efforts against intellectual property rights (IPR) violators through enforcement action and improved coordination among IPR enforcement agencies and with rights holders. The Colombian government gave its Copyright Office and its Patent and Trademark Office new authority to handle IPR related cases, expediting the resolution of these cases. This builds on the Colombian government's concerted effort in recent years to combat IPR violations, including through conducting raids to seize counterfeit and pirated products and deter the counterfeiting of pharmaceuticals. Colombia continued to take steps in 2012 to address its patent backlog.

Despite these positive developments, there remains a need for further IPR improvements in Colombia, particularly through additional training and resources for agencies involved in enforcing IPR. Actions are still needed to reduce optical media piracy and combat piracy over the Internet, which is a growing problem in Colombia.

On January 23, 2013 the Colombian Constitutional Court invalidated on procedural grounds the law enacting many IPR related commitments under the CTPA. The Colombian government is reintroducing the bill to the Congress using different procedures.

SERVICES BARRIERS

The CTPA grants U.S. service suppliers substantially improved market access across Colombia's entire services regime, subject to a limited number of exceptions. Some restrictions, such as economic needs tests and residency requirements, still remain in sectors such as accounting, tourism, legal services, insurance, distribution services, advertising, and data processing.

Financial Services

Insurance companies must maintain a commercial presence to sell policies other than those for international travel or reinsurance. Colombia prohibits the sale of maritime insurance by foreign companies. Foreign banks must establish a subsidiary to operate in Colombia.

Under the CTPA, Colombia will phase in further liberalization in financial services, such as allowing branching by banks and allowing the cross-border supply of international maritime shipping and commercial aviation insurance by 2016. Additionally, mutual funds and pension funds will be allowed to seek advice from portfolio managers in the United States.