

Colombia free trade agreement would be good for Iowa

by Joel Severinghaus, Iowa Farm Bureau international trade analyst

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Recently, my lobbyist colleague Mark Salvador and I were making the rounds in the Longworth House Office Building in Washington DC, trying to spread the word about how the pending U.S.-Colombia Free Trade Agreement would be good for Iowa. We met with staff in Representative Boswell's, Representative Braley's, and Representative Loebsack's offices, giving our pitch and asking what might keep the Congressmen from voting for the agreement. We heard that it's labor issues versus the potential benefits from the trade deal.

Mark and I left factsheets with the Congressional staff that outlined how Iowa could benefit from this trade agreement with Colombia. Iowa farmers would clearly benefit. Almost all Colombian agricultural products pay no import tariffs to enter the U.S. market, per our Andean Trade Preference Act. Last year, we imported about \$1.5 billion of Colombian farm products, such as coffee, cut flowers, and bananas.

We exported a record \$1.2 billion of U.S. agricultural products to Colombia last year, making that country our largest export market in South America. Corn, wheat, soybeans, and cotton top the list of our exports to Colombia. Iowa's share of our \$560 million sales of corn and corn gluten meal was about \$101 million. Iowa's share of \$175 million in exports of soybeans, soybean meal, soy flour, and soy oil was about \$30 million. Those dollar amounts aren't chicken feed, although much of that corn and soy is going to feed Colombian poultry.

Not bad, considering that no U.S. agricultural exports have duty-free access to the Colombian market. But this free trade agreement will level the playing field, changing ag trade with Colombia from one-way to two-way. More than half of U.S. farm exports would get duty-free status immediately, and the remaining tariffs would be phased out over 15 years. Our soybeans, soy meal, and soy flour now face 5 to 20 percent import duties – those get eliminated immediately. Colombian tariffs on corn can be as high as 195 percent – yellow corn gets an immediate duty-free tariff-rate quota for 2.1 million tons, with duty-free tonnage to increase annually until the over-quota tariff disappears after 12 years. Pork tariffs, now as high as 30 percent, go to zero within five years, and the 80 percent tariff on high quality beef goes away immediately.

The American Farm Bureau economists estimate that the Colombia free trade agreement would mean an additional \$690 million in annual sales for American agriculture. It's no surprise then that Farm Bureau and 40 other U.S. agricultural and food associations support this agreement.

And as Mark and I pointed out to the Congressional staff, it's not just Iowa farmers who have a stake in this. Iowa's manufactured exports to Colombia totaled \$33 million last year: \$5 million of cornstarch coatings for the paper industry, \$3.8 million of trenching machines, \$3.3 million of amino acids for livestock feed, \$2.5 million of tractors, \$1.5 million of molybdate metal compounds for steel and fertilizer production, \$1 million of backhoe attachments. These industrial goods now face Colombian tariffs of up to 35 percent, but most of our industrial and

consumer goods exports to Colombia would also get immediate duty-free status when the trade agreement is implemented.

President Bush has now sent the U.S.-Colombia Free Trade Agreement to Congress for ratification, more than 16 months after the agreement was signed in November 2006. The Colombian legislature approved it last June, and then approved it again in October after it was amended to include enhanced labor and environmental provisions desired by the U.S. legislature. Now, under Trade Promotion Authority “fast track” rules, Congress has 90 legislative days to vote yes or no on the agreement before it adjourns for the year in September. (Unless they use some procedural maneuvers to postpone a vote until after the November elections.)

The sticking point is going to be labor issues. Some Democratic leaders want a deal on expanded Trade Adjustment Assistance for workers displaced by trade before they’ll consider the Colombia agreement. (Iowa got \$12.3 million of Federal funds last year for Trade Adjustment Assistance to serve Iowa workers who have lost their jobs due to increased imports or companies shifting production out of the U.S. At any given time, about 750 to 1500 Iowans are receiving customized re-employment services, job search or relocation expenses, or job training through this program.)

The bigger issue is violence against union organizers in Colombia. The AFL-CIO, Teamsters, Service Employees International, and other unions are opposed to the Colombia free trade agreement because of human rights abuses against the labor movement in Colombia. The Bush administration says that murders of trade unionists are declining in Colombia, and that the situation is improving since the recent election of President Uribe. Violence against labor leaders is of course unacceptable, but one could argue that increased trade and economic ties can help improve security and social justice. Mark summed it up well, as we were riding the escalator down into the Capitol Hill subway station after our meetings: “I don’t know how you’re going to improve people’s lives by not trading with them.”

The U.S.-Colombia Free Trade Agreement will be good for workers in both countries. It will be especially good for Iowa farmers, who will benefit from tariff reductions that remove barriers to our agricultural exports to Colombia. Iowa’s Congressmen and Senators should vote in favor of this trade agreement (whenever that vote happens.)