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September 15, 2009

Ms. Carmen Suro-Bredie
Chairman, Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Via Electronic Submission

RE: Request for Comments Concerning the Free Trade Agreement with the Republic of Colombia, Docket Number USTR-2009-0021

Dear Ms. Suro-Bredie,

The Retail Industry Leaders Association (RILA) appreciates the opportunity to provide comments to the Trade Policy Staff Committee of the United States Trade Representative on the pending free trade agreement (FTA) between the United States and the Republic of Colombia. RILA strongly supports enactment of the U.S. – Colombia FTA, which would permanently enshrine preferential benefits Colombia currently receives under the Andean Trade Preferences Act (ATPA) for exports to the United States and would finally create reciprocal benefits for U.S. exporters by removing most tariffs and non-tariff barriers for U.S. exports to Colombia on day one of the agreement.

By way of background, the Retail Industry Leaders Association (RILA) is the trade association of the world's largest and most innovative retail companies. RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Its members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than $1.5 trillion in annual sales, millions of American jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Colombia Is Making Progress

While RILA's comments are generally focused on the economic benefits of the U.S. – Colombia Free Trade Agreement, because the Trade Policy Staff Committee has requested comments with respect to labor, worker protection and prosecutions in Colombia, it should be noted that Colombian President Alvaro Uribe has been successful in countering rogue militias who have sought to upend a society that has been making substantial economic, political, and social progress under his leadership. The level of violence in Colombia has fallen dramatically over his tenure, economic opportunities have increased, human rights have been bolstered and narcotic trafficking has decreased; to further delay his country this free trade agreement would be to punish the Colombian people for the progress they have made in the past decade. The U.S. – Colombia Free Trade Agreement would strengthen Colombia-based manufacturers, miners, and farmers from the ground up, further bolstering the nation's progress against rogue violence.

Benefits of the Free Trade Agreement

The U.S. – Colombia FTA would help reduce trade barriers and enhance trading partnerships between our two countries. Enactment of the agreement will provide significant benefits to retailers through trade liberalization, transparency in regulatory trade practices, reductions in tariffs and non-tariff barriers and the creation of dependable sourcing opportunities. These issues are essential to providing U.S. customers with the high-quality goods they seek at a price they can afford. This comprehensive agreement provides for across-the-board tariff eliminations, services trade liberalization, trade facilitation measures, strong intellectual property rights protections and flexible rules of origin.

Two-way trade between the United States and Colombia reached $24.5 billion in 2008 – an increase of over $6.5 billion over the previous year – with U.S. exports to Colombia reaching $11.4 billion in 2008. But much of this trade has been unbalanced because most products from Colombia already enter the United States duty free under the Andean Trade Preference Act (ATPA) and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).

In contrast, U.S. exports to Colombia currently face an average tariff of 14 percent. The U.S.-Colombia Free Trade Agreement will remedy this inequity and on the first day the agreement enters into force, when tariffs on over 80 percent of U.S. exports of consumer and industrial products, and a majority of the most competitive U.S. farm exports, would immediately be eliminated.

U.S. Competitiveness at Stake

In today's highly competitive global marketplace, U.S. retailers, service suppliers, farmers and manufacturers are in direct competition with foreign competitors that offer similar products and services with all seeking to gain a competitive advantage. Enacting meaningful free trade agreements, which remove tariffs and non-tariff barriers and can save companies and consumers millions of dollars annually, is one way in which the U.S. Government can and should help U.S. businesses to better compete. Faced with two equally performing products from a U.S. company and a foreign competitor, with one costing slightly more because of tariffs, a rational buyer would always select the cheaper good.

As the United States stands on the sidelines of international trade while debating the merits of free trade, countries around the world are moving expeditiously to enact free trade agreements with nations the United States heavily trades with, thereby giving their industries an economic advantage over U.S. goods and services. Such is the case today with Colombia, which signed a comprehensive free trade agreement with our largest trading partner, Canada, on November 21, 2008. The implementing language for the Canada – Colombia Free Trade Agreement was introduced by way of legislation in Canada's House of Commons on March 26, 2009 and is actively being considered by the Canadian Parliament.

In a more recent development, news reports over the past few weeks have reported that Colombia and South Korea – another major trading partner of ours and yet another instance where the United States has signed a free trade agreement but has not yet moved to enact it – recently announced plans to begin negotiations over a Colombia – South Korea Free Trade Agreement this year.

The positive investment environment in Colombia, and the likelihood that industries and consumers stand to gain much by way of improving investment ties and lowering tariffs between trading nations, has prompted foreign governments, namely those of Canada and South Korea, to move expeditiously to sign and enact free trade agreements with Colombia. Furthermore, these nations realize that one of the best ways to enhance their nation's competitiveness during a global recession is to create additional opportunities outside of their borders through trade enhancement and liberalization.

U.S. retailers, manufacturers, service providers and agriculture industries stand to lose the most if Canada and South Korea enact free trade agreements with Colombia before the United States. The longer the United States waits to enact the agreement, the longer Canadian and South Korean companies and their products have to penetrate the Colombian market and gain market share, making it exponentially harder for U.S. goods and services to gain a foothold.

Preference Programs Alone are Insufficient

The Andean Trade Preferences Act, which gives one-way access to Colombian goods and services entering the United States, is scheduled to expire on December 31, 2009. Congress is currently grappling with a wholesale rewrite of preference programs which would change eligibility requirements and would, we hope, broaden product coverage to include textiles and apparel products made in some of the poorest nations in the world. However, it is unlikely that such a transformation of the programs will be completed by the end of the year and will require Congress to renew ATPA so that U.S. importers do not lose benefits tied to the program.

The nature of these preference programs is such that they are generally renewed for a few years or even months at a time, sometimes even retroactively. While looming deadlines for expiring programs apply political pressure on policy makers, the uncertainty over whether preference programs will be renewed, or that coverage gaps may occur, make U.S. businesses weary to place long-term contracts in Colombia. The uncertainty that U.S. businesses will not be able to take advantage of preference programs leads them to search for alternative sourcing options with nations that already have free trade agreements in place with the United States, or seek out other lower-cost options. This directly threatens the livelihoods of Colombia workers and producers and would be remedied by enacting the U.S. – Colombia free trade agreement granting permanent two-way benefits to both nations.

U.S., Colombian Industries are Intertwined

On July 10, 2008, a letter was sent to Speaker of the House Nancy Pelosi and Senate Majority Leader Harry Reid on behalf of U.S. and Colombian textile, apparel and retail supply chains, and which was signed onto by RILA and many of our retail members, asked for their "assistance in ensuring the U.S. – Colombia Trade Promotion Agreement (TPA) is approved, enacted into law, and implemented as quickly as possible." This letter, which was an act of unusual unity for the signatory companies and trade associations, noted that many hundreds of thousands of "[U.S.] jobs are dependent upon the kind of international trade links we have developed between Colombia and the United States." This is because many billions of dollars worth of textile and apparel products exported from the United States "are destined for Mexico, Central America, and the Andean region, where many of these products are incorporated into finished garments and brought back to the United States. In addition, many of our exported items, particularly raw cotton, are spun into yarn, which remains in the Colombian marketplace."

The letter, which has been attached to these comments, highlights how both U.S. exporters and importers of apparel and textiles support the pending free trade agreement, which would be expected to further strengthen investment and two-way trade upon enactment.

RILA appreciates this opportunity to provide comments to the Trade Policy Staff Committee on the economic benefits the U.S. – Colombia Free Trade Agreement to the U.S. retail industry. For all the reasons previously mentioned, we strongly support enactment of the free trade agreement, in addition to pending ones with Panama and South Korea, and look forward to working with the Obama Administration and Congress to enact these agreements so that U.S. businesses can increase their global competitiveness. If you should have any questions about these comments, please contact Andrew Szente, RILA's director of government affairs, by emails at andrew.szente@rila.org or by phone at (703) 600-2033.

Sincerely,

Stephanie Lester
Vice President, International Trade