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## The United States-Colombia Free Trade Agreement Deserves a Vote

By Frances B. Smith and Ryan Young\*

The United States-Colombia Free Trade Agreement (FTA) deserves a speedy vote. The U.S. Congress is holding up the agreement—indefinitely. Congressional leaders say that President George W. Bush did not follow “protocol” in sending the agreement to Congress over members’ expressed opposition, so they are overriding the legal procedures and timetables for voting on the agreement. Thus, sound policy is held hostage to politics.

The agreement would benefit both nations’ economies and would be a positive foreign policy gesture. The trade pact is especially important for the U.S. In the first quarter of 2008, economic growth was an anemic 1 percent.<sup>1</sup> Nine thousand American companies that do business with Colombia stand to benefit. So do consumers.

Moreover, with Latin America currently beset by a wave of anti-American populism, the Colombia FTA would consolidate a key alliance in that crucial region.

Whether intentionally or not, Congress is hurting America’s trust and credibility with our trading partners, by blocking an economic opportunity for Colombia. At a fundamental level, Congress’s blockade is simply unfair.

**A Question of Fairness.** The U.S.-Colombia FTA has been a long time coming. In 2003, then-U.S. Trade Representative Robert Zoellick notified Congress of the administration’s intent to negotiate trade agreements with several Andean countries, including Colombia. Formal negotiations began the following year.

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Congress was closely involved throughout the negotiating process. Several Congressional delegations traveled to Colombia, while Colombian President Álvaro Uribe made several visits to the U.S. Policy makers had ample time and opportunity to provide their input.

The FTA was signed in November 2006. The agreement was progressing normally—but the mid-term elections that same month gave Congress a more protectionist complexion. Congressional leaders suddenly balked in mid-2007, insisting that pending and future trade agreements must include enforceable labor and environmental standards—even though those standards were already mandated by Trade Promotion Authority (TPA), approved by Congress.

Colombia was gracious enough to renegotiate, and all parties soon accepted the resulting Bipartisan Trade deal, despite the numerous non-trade-related provisions on which Congress insisted. The agreement seemed ready for a vote.

In April 2008, President Bush submitted the agreement's implementing legislation to Congress, which was then due for a vote under TPA's 90-day time limit for consideration of the agreement. However, it was another election year, and the Democratic majority saw opposition to the trade deal as an opportunity to score political points with organized labor, whose support is crucial.

Congress moved the goalposts yet again, voting to suspend the deadline, which is allowed under TPA. Yet having done this for no good reason, Congress now has no effective timetable for voting on the trade agreement. Treaty opponents seem content to let it sit in limbo and let it die a quiet death at the end of the 110<sup>th</sup> Congress.

During this long process, Colombians have consistently acted in good faith despite Congress's numerous—and shifting—demands. Basic fairness should compel Congress to give the agreement a speedy up-or-down vote on its merits.

**The Opponents' Smokescreen.** One of the agreement opponents' main arguments has little to do with the merits of the trade agreement itself. U.S. organized labor leaders charge that union leaders in Colombia are being killed without the government taking steps to crack down on the murderers. Sadly, Colombia is indeed a violent country. Marxist guerrillas, right-wing paramilitary groups, and criminal drug gangs have killed thousands of people. And it is true that some victims have been killed *because* of their union membership.

But there is more to Colombia's story than the horror show that the opponents of the trade agreement like to portray. Colombian-born journalist Edward Schumacher-Matos, who favors the Colombia FTA, sums up the matter: "While the murder of even one union organizer is deplorable, the numbers being used are so misleading that they should not be cited in opposing the agreement."<sup>2</sup>

In Colombia, also, union members are no more exposed to violence than is the general population. There were 17,198 murders in Colombia last year,<sup>3</sup> of which at most 39

victims were union members. That means that 2 percent of the population fell victim to 0.226 percent of all murders. Had unionists been murdered at the same rate as the rest of the nation, there would have been at least 344 killings. Moreover, murders overall are down by nearly 90 percent from as recently as 1996.

Most murders in Colombia have nothing to do with unionism. As many as four-fifths are simply part of the country's endemic random violence or are related to the drug trade and paramilitary violence. Nearly 2,000 union leaders benefit from government-provided protection.<sup>4</sup>

Schumacher-Matos is right that while even a single murder is unacceptable, the level of violence has no bearing on whether the FTA will help Colombia's economy. Rejecting the agreement will do nothing to reduce violence in Colombia. In fact, if the FTA delivers on its promise to increase economic growth in Colombia, the country will have greater resources to call upon to combat violence.

**Economic Benefits.** Economic growth in the U.S. has slowed to a mere 1 percent. One of the few bright spots in the U.S. economy has been the growth of exports and export-related jobs. The latest year-over-year figures for April 2008 show that exports of goods and services were up \$25.0 billion, or 19.2 percent. Imports were up \$30.2 billion, or 16.4 percent.<sup>5</sup> The FTA can only help expand those numbers.

Colombia is experiencing strong growth of over 7 percent.<sup>6</sup> The FTA, by reducing the price of imports, will help Colombians to sustain this poverty-reducing growth.

American businesses large and small conduct considerable trade with Colombia. The U.S. Commerce Department estimates that 9,000 companies trade with that country. Nearly 8,000 of those are small or medium-sized businesses. According to the U.S. Trade Representative, U.S. goods exports to Colombia in 2007 totaled \$8.6 billion, making Colombia the U.S.'s fourth largest trading partner in Latin America.<sup>7</sup>

The benefits of trade with Colombia spread throughout the country. The top five states in total exports to Colombia in 2007 were Texas, Florida, Louisiana, California, and Illinois. The Colombia FTA would especially help Louisiana. That state is by far the largest exporter of agricultural products and livestock to Colombia, which totaled \$559,937,000 in 2007—more than half the U.S. total for those exports. Other significant Louisiana exports to Colombia are chemicals and processed foods.<sup>8</sup> This is significant for a poor state such as Louisiana, especially ravaged since Hurricane Katrina. Louisiana ranked 45<sup>th</sup> in real GDP in 2006<sup>9</sup> and 31<sup>st</sup> in per capita income in 2007.<sup>10</sup>

It would also help California, which currently ranks second in the nation in total export value. According to the Commerce Department one-fifth (20.2 percent) of all manufacturing workers in California depend on exports for their jobs.<sup>11</sup> However, California's many agricultural producers currently face high tariffs for exports to Colombia. As California Republican Assembly leader Mike Villines (Clovis, Fresno) wrote recently:

Because of high tariffs, California only exported \$321 million in merchandise to Colombia last year, less than 1 percent of the \$134 billion worth of exports our state shipped worldwide.

If the agreement takes effect, California stands to gain billions in new business opportunities by removing costly tariffs that put our goods at a disadvantage and keep many Colombian consumers from buying our products.<sup>12</sup>

Blocking the U.S.-Colombia Free Trade Agreement, which is likely to benefit U.S. producers and help create jobs, is counterproductive in the nation's current economic climate.

**Fixing Asymmetry.** The benefits to U.S. exporters of the U.S.-Colombia FTA is especially highlighted by the fact that Colombian exporters already enjoy widespread duty-free access to U.S. markets. Under the Andean Trade Preferences Act, which was renewed in March 2008, about 92 percent of Colombian goods exported to the U.S. are duty-free. But U.S. exports to Colombia face stiff tariffs, averaging about 14 percent. Some duties on goods are as high as 35 percent, and agricultural exports can face tariffs over 80 percent, according to U.S. Trade Representative Susan Schwab.<sup>13</sup>

The Colombia FTA would end this asymmetry. More than 80 percent of consumer and industrial products exported to Colombia would enter that country duty-free *immediately*, with the remaining tariffs to be phased out over 10 years. The Colombian tariffs currently affect goods as diverse as beef, cotton, aircraft parts, and French fries. Knocking down tariffs would give American companies that sell these goods a larger customer base.

Colombian consumers will benefit from lower prices, which will benefit people at all levels of society. Increasing a person's purchasing power has the same effect as giving him a raise. In a country with a 49.2 percent poverty rate and double-digit unemployment,<sup>14</sup> the FTA can do a lot of good. Most opponents have ignored this beneficial effect.

Treaty opponents argue that the agreement will cost American jobs. Yet a quick look at the data shows this claim to be unfounded. Trade barriers have been slowly but steadily dropping since at least 1994, when the United States passed the North American Free Trade Agreement (NAFTA). Since then, the U.S. also passed the Dominican Republic-Central America Free Trade Agreement and bilateral FTAs with Australia, Bahrain, Chile, Jordan, Morocco, Oman, and Singapore. Further agreements are pending with seven other countries. So how has total employment fared in this era of trade liberalization? The U.S. has gained 26 million net jobs since NAFTA passed in 1994.<sup>15</sup> Over that period, GDP doubled.<sup>16</sup> Real wages are up 23 percent.<sup>17</sup> Trade does not cost jobs. It is good for the economy.

**Falling Behind the Curve.** Congress's stalling on the U.S.-Colombia trade agreement puts U.S. companies at a competitive disadvantage relative to other countries in the Colombian market. While Congress stonewalls, other countries are signing trade deals

with Colombia right and left. Canada is currently finalizing an FTA with Colombia, which is expected to be followed soon by a trilateral agreement including Peru.<sup>18</sup> On June 12, 2008, Iceland, Liechtenstein, Norway, and Switzerland wrapped up negotiations on a multilateral FTA with Colombia.<sup>19</sup>

**National Security Interest.** Politically, Congress's refusal to pass the U.S.-Colombia sends a very clear message: Other nations are willing to open up to Colombia, and the United States is not. This is hardly the kind of foreign policy message Congress needs to send to a staunch ally in a still-volatile region. Tensions are increasing among Colombia and its near neighbors, and among those neighbors and the U.S.

Venezuelan President Hugo Chávez is doggedly stoking anti-American sentiment. According to files found on a guerrilla leader's computers captured by the Colombian army, Chávez has channeled munitions and as much as \$300 million of aid to the Marxist guerrilla group Revolutionary Armed Forces of Colombia (known as FARC for its Spanish acronym). Chávez has publicly distanced himself from the FARC since those revelations, but political tensions between his country and Colombia remain high.<sup>20</sup> Ecuador's relations with Colombia are also tense. Diplomatic ties were suspended after Colombian forces raided a FARC camp in Ecuador—where they captured the computers.

Colombian President Álvaro Uribe has been a strong proponent of democracy and free markets in a region more familiar with populist dictators. While other countries teeter, Colombia's growth has sped up more than fourfold, from 1.7 percent in 2002 to 7 percent in 2007.<sup>21</sup>

Under President Uribe's leadership, the violence that has plagued the country for decades has decreased dramatically, helping to make that growth possible. After 40 years, FARC and the paramilitaries may finally be on their last legs.

Colombia faces a bright future, but perils still lie in its path. Economics aside, passing the Colombia FTA would constitute a noble foreign policy gesture. It would let Colombians and their neighbors know that we are their friends, that we are open to them, and that we are willing to engage them as equals.

**Conclusion.** The United States-Colombia Free Trade Agreement deserves a prompt up-or-down vote in Congress. It is only fair to the people of Colombia, whose elected representatives have shown patience and good faith throughout the negotiating process. Opponents' concerns about anti-union violence are legitimate but exaggerated and misplaced. The violence has nothing to do with the merits of the agreement. Concerns about possible job losses are unfounded, as years of job growth accompanying trade liberalization show. The agreement will increase American exports, currently one of the few bright spots in a time of slow growth. Finally, the agreement is a positive foreign policy gesture to one of our most reliable allies in the region. Congress should stop dithering and pass the U.S.- Colombia FTA.

## Notes

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- <sup>3</sup> James M. Roberts, The U.S.-Colombia Free Trade Agreement: Strengthening a Good Friend in a Rough Neighborhood, Heritage Backgrounder No. 2129, April 30, 2008, p. 6, [http://www.heritage.org/research/tradeandforeignaid/upload/bg\\_2129.pdf](http://www.heritage.org/research/tradeandforeignaid/upload/bg_2129.pdf); Colombia's Case, *Washington Post*, Saturday, April 19, 2008, p. A14. <http://www.washingtonpost.com/wp-dyn/content/article/2008/04/18/AR2008041802900.html>.
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- <sup>8</sup> Data from TradeStats Express State Export Data, <http://tse.export.gov/SEDChartDisplay.aspx?UniqueURL=1f1zgquqwyhaco45322pkx55-2008-4-23-16-31-50>.
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- <sup>10</sup> Bureau of Economic Analysis news release, March 26, 2008, [http://www.bea.gov/newsreleases/regional/spi/spi\\_highlights.pdf](http://www.bea.gov/newsreleases/regional/spi/spi_highlights.pdf).
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- <sup>14</sup> CIA World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/co.html#Econ>.
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- <sup>18</sup> Canadian Broadcasting Corporation, July 16, 2007, "PM announces free trade talks with Colombia, Peru." <http://www.cbc.ca/canada/story/2007/07/16/harper-colombia.html>.
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